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ABSTRACT

House Resolution 745 called for disapproval of proposed amendments to the family contribution schedule and regulations of the Higher Education Act of 1965. The amendments were concerned with the expected family contribution in the Basic Opportunity Grant Program. Testimony is presented from representatives of the Office of Education, student financial aid administrators, Educational Testing Service, university administrators, American Council on Education, and others. Difficulties are noted in measuring, on a systematic basis, a family's ability to pay for postsecondary education. Commentary is offered on the OE proposal to make adjustments in the asset reserves for families deriving their income from salaries and wages, and particularly for the recognition that the assets of a farm or business family are different from those who do not depend upon their property for income generation. (LBH)

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ED127905

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR

HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

H. Res. 745

HEARING HELD OCTOBER 2, 1975

Printed for the use of the Committee on Education and Labor

CARL D. PERKINS, *Chairman*

HE 008 223

U S DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

THURSDAY, OCTOBER 2, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m. in room 2261, Rayburn House Office Building, Hon. Ronald M. Mottl presiding.

Members present: Representatives O'Hara, Simon, Mottl, and Quie.

Staff present: Jim Harrison, staff director; Webster Buell, counsel; Elnora Teets, clerk; Robert Andringa, minority staff director; and William Diefenderfer, minority staff attorney.

Mr. MOTTL [presiding]. The Subcommittee on Higher Education will now come to order.

We are meeting to discuss House Resolution 745 this morning.

[The resolution follows:]

[H. RES. 745, 94th Cong., 1st sess.]

RESOLUTION

Resolved, That the House of Representatives, in the exercise of its authority under section 411(a)(3)(A) of the Higher Education Act of 1965 as amended, disapproves of the proposed amendments to the family contribution schedule and regulations submitted to the House on August 8, 1975, by the Commissioner of Education.

Mr. MOTTL. I see we have our distinguished colleague, our good friend, Dr. Phillips, Deputy Commissioner, Bureau of Postsecondary Education, Office of Education. It is good to have you with us.

I think it would be helpful if this hearing record began with a memorandum which the chairman of the subcommittee sent to us all last month when the proposed 1976–77 Basic Educational Opportunity Grant family contribution schedule was first submitted to the Congress. That memorandum indicates the statutory and factual background for these proceedings.

[The memorandum referred to follows:]

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
Washington, D.C., September 2, 1975.

DEAR COLLEAGUE: On August 13th, the Department of Health, Education and Welfare sent up, for our information, a copy of the proposed family contribution schedule under the Basic Opportunity Grant program for the academic year 1976–1977. A formal submission in the form of a letter to the Speaker and publication in the Federal Register should have taken place by the time you

receive this letter. I am proposing that the Subcommittee conduct hearings on the new schedule beginning on September 30th.

The annual review of the BOG family contribution schedule has some resemblance to a proceeding under Section 431(d) of the General Education Provisions Act—and was, indeed, the inspiration for Section 431(d). But there are significant differences in the two procedures. Three BOG schedule reviews were held by the Subcommittee during the 93rd Congress, but, for the benefit of those who were not members of this Subcommittee then, it might be useful for me to outline the law and procedures involved.

PROCEDURE

As you know, a student's Basic Grant is calculated by substracting from $1,400 a "reasonable family contribution" as determined by the Commissioner of Education. The formula by which the Commissioner calculates the reasonable family contribution must be submitted annually to the Congress no later than the first of the February preceding the academic year in which it is to be applicable. Either House has until May 1st to disapprove the proposed schedule. If neither House does so, the schedule becomes effective at the beginning of the following academic year.

Unlike the procedure under Section 431, we are not limited to determining whether a BOG schedule is consistent with the law. A resolution of disapproval may be voted by either House, for whatever reason satisfies that House. And the resolution need not specify the rationale for disapproval. In the event a resolution of disapproval were passed (none ever has been), the law only requires that the Commissioner publish a new schedule no less than 15 days after such resolution is approved, "taking into consideration such recommendations as may be made in connection with such resolution."

In each previous review, the Commissioner has submitted a schedule which most Members of the Committee have found excessively stringent. The Chairman has introduced a pro forma resolution of disapproval, we have conducted a day or two of hearings, taken testimony from the Commissioner and from student financial aid experts, negotiated the major problems out informally with the Commissioner, secured the submission of a somewhat more satisfactory schedule, and unanimously voted to table the pro forma resolution. Usually, the Senate Subcommittee has conducted more-or-less concurrent hearings, and without considering a pro forma resolution, has simply voted to inform the Commissioner that, given certain changes, they would not conduct further disapproval proceedings.

I have not been accused in the past of being excessively kind to the Office of Education and its regulation-writing procedures. However, in all fairness, I must say that Commissioner Bell and his predecessor Commissioner Ottina have been very cooperative with the Subcommittee in each of the three previous BOG review proceedings. They have submitted what they evidently consider to be the most generous schedule they could come up with, given Administration budgetary and policy restraints, and while they have been tough negotiators, they have in each case, made some concessions toward the Subcommittee's views. Each successive family contribution schedule has been slightly better than the last, and each, when finally promulgated, has been the joint product of the Office of Education and the Congress. I see no reason why this history of cooperative endeavor, in the interests of students, will not continue in this fourth review session.

SUBSTANCE

This year's submission (copy attached), makes three basic changes for the schedule which is already in effect for the coming academic year. The "family size offset" is proposed to be increased 10% to take inflation into account. The Commissioner's statement of explanation says that "this increase in living allowance is an estimate and will be changed in accordance with the actual increase in the Consumer Price Index as published by the Bureau of Labor Statistics at the end of the year."

Two further changes relate to the treatment of family assets, in the measurement of what a family can contribute. The schedule is amended to increase the general assets set-aside from $10,000 to $12,500, and where a student's family has farm or business assets, the set-aside is increased to $25,000. The treatment of assets in the past has been a very sticky point. The law requires

the Commissioner to take assets into account in his determination of a family contribution, although it is silent as to how he shall count them.

Although I do not personally, as you know, think assets should be taken into account, I must agree with the Commissioner who has pointed out that the law requires him to do so. However, in past sessions, the Subcommittee has urged the Commissioner to count home, farm and business assets differently than he counts truly liquid assets, such as stocks, bonds, or savings. In the past, the Commissioner has said that there is no satisfactory way of distinguishing among different kinds of assets, and we have had to remain content with a gradual increase in the total assets set-aside. This time, the Commissioner has apparently developed a way he finds acceptable, of distinguishing between farm and business assets and others, and I expect the Subcommittee will want to consider urging him to think about some similar way of giving home assets a similar treatment. We may want to compare the BOG schedule with that proposed by the Keppel Task Force.

TIMING

The law requires the schedule for the academic year 1976–1977 to be submitted no later than February 1, 1976, and gives Congress until May 1, 1976 to act on it. Although the amounts of time involved are perfectly manageable, (OE has never been late in a submission, and the Subcommittee has taken substantially less time to complete its action than the statute permits), all parties are agreed that the dates themselves are totally unrealistic in terms of program operations. So with the whole-hearted approval of the Subcommittee, the Commissioner has submitted his schedule far in advance of the deadline set by law, and has expressed the very reasonable hope that we can complete our action before November 1st of this year. If we do not, the mechanics of printing the BOG applications could make it impossible for the program to get under way on time for the following academic year. Last year the Subcommittee was able to conduct its hearings, negotiate a better schedule, and agree to table its resolution of disapproval within 10 days. I see no reason we cannot do so again this year.

The proposed schedule was printed in the Federal Register on August 14th, and the 30-day period for public comment will terminate on September 15. I believe we should do what we have done in the past, allow OE time to receive and digest public comments, and make any changes it decides to make on the basis of such comment before we schedule our own hearings. Then, we should have a day or two of hearings, which I think we can tentatively schedule for September 30th and October 1st. If we do that, and assuming the same degree of cooperation we have had from OE in the past, I would anticipate the completion of the review period substantially before the November 1 date which OE has requested. Even if, which is unlikely, there has to be a resolution of disapproval, we could have it on the floor by October 15th, giving OE its full statutory 15-day period to resubmit a corrected schedule—still prior to November 1st.

Very truly yours,

JAMES G. O'HARA,
Chairman.

[From the Federal Register, vol. 40, No. 158—Thursday, Aug. 14, 1975]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office of Education

[45 CFR Part 190]

BASIC EDUCATION OPPORTUNITY GRANT PROGRAM

Expected Family Contribution for 1976–77 Academic Year

Pursuant to the authority contained in subpart 1 of part A of Title IV of the Higher Education Act of 1965 as amended (20 U.S.C. 1070a) notice is hereby given that the Commissioner of Education, with the approval of the Secretary of Health, Education, and Welfare, proposes to issue the following amendments

to the regulations covering the basis for determining the expected family contribution of both dependent and independent students for academic year 1976–77.

These amendments are being submitted for public comment and review by both Houses of Congress in advance of the February 1 deadline specified in section 411(a) of the Higher Education Act of 1965 as amended (20 U.S.C. 1070a) so that review of the Schedules may be completed earlier than May 1, which is the date listed in the statute. It is the opinion of the Commissioner that the May 1 deadline for Congressional action does not permit students, parents, and educational institutions sufficient time to make effective decisions concerning the packaging of student financial aid resources. The regulations to which these amendments are proposed were previously published on April 4, 1975 (40 FR 15248).

The proposed amendments provide for a 10% increase in the family size offsets used during the 1975–76 academic year. This increase in living allowance is an estimate, and will be changed in accordance with the actual increase in the Consumer Price Index as published by the Bureau of Labor Statistics at the end of the year. The intent of this increase is to take into account inflation of the basic cost of living during the current year.

The proposed regulations further provide for an increase in the asset reserve from $10,000 to $12,500 for the average family, and to $25,000 for families reporting farm or business assets. This increase is intended to provide a more equitable determination of need for those families whose occupation requires a substantial asset position in order to achieve a relatively low level of income.

Interested persons are invited to submit written comments, suggestions, or objections regarding the proposed rules to Mr. Peter K. U. Voigt, Director, Division of Basic and State Student Grants, U.S. Office of Education, Room 5678, ROB–3, 400 Maryland Avenue, SW., Washington, D.C. 20202. All relevant material must be received not later than September 15, 1975. Comments received will be available for public inspection at the above office Monday through Friday between 8 a.m. and 4:30 p.m.

It is hereby certified that the economic and inflationary impacts of this proposed regulation have been carefully evaluated in accordance with OMB Circular A–107.

Dated: July 30, 1975.

T. H. BELL,
U.S. Commissioner of Education.

Approved: August 8, 1975.

CASPAR W. WEINBERGER,
Secretary, Health, Education, and Welfare.

(Catalog of Federal Domestic Assistance No. 13.539, Basic Educational Opportunity Grant Program.)

Part 190 of Chapter I of Title 45 of the Code of Federal Regulations would be amended as follows:

PART 190—BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

1. Section 190.32 would be amended as follows:

Paragraph (d) through (h) becomes (e) through (j); paragraph (j) through (n) becomes (l) through (p); and by adding new paragraphs (d) and (k) to read as follows:

§ 190.32 Special definitions

* * * * * *

(d) "Business Assets" means property that is used in the operation of a trade or business including real estate inventories, buildings, machinery and other equipment inventories, patents, franchise rights, and copy rights.

* * * * * * * *

(k) "Farm Assets" means any property owned and used in the operation of a farm for profit, including real estate, livestock, livestock products, crops, farm machinery, and other equipment inventories. A farm is not considered to be operated for profit if crops or livestock are raised mainly for the use of the family, but some income is derived from incidental sales.

* * * * * * *

2. Section 190.33 would be amended by revising paragraph (c)(1) to read as follows:

§ 190.33 The expected family contribution for dependent students from parents' and student's effective income

* * * * * * *

(c) * * *

(1) *Family size offset.* A family size offset is the amount specified in the following table. Family size includes the student, the student's parents and the student's parents' dependents. If the parents are divorced or separated, family size shall include the student and any parent whose income is taken into account for the purpose of computing the annual adjusted family income and that parent's dependents.

Family Size Offsets

Family size:	*Dollar amounts*
2	3,700
3	4,500
4	5,700
5	6,750
6	7,650
7	8,450
8	9,350
9	10,250
10	11,100
11	11,950
12	12,800

* * * * * * *

3. In § 190.35, paragraph (a)(2) would be revised to read as follows:

§ 190.35 Computation of standard expected contribution from parents' assets

(a) * * *

(2) If the net assets determined in paragraph (a)(1) of this section include farm assets or business assets as defined in § 190.32(d) and (k), deduct an asset reserve of $25,000 from the net assets. If the net assets determined in paragraph (a)(1) of this section do not include farm or business assets, deduct an asset reserve of $12,500 from the net assets.

* * * * * * *

4. Section 190.43 is amended by revising the paragraph (c)(1) to read as follows:

§ 190.43 The expected family contribution for independent students from annual adjusted family income

* * * * * * *

(c) * * *

(1) *Family size offset.* A family size offset is the amount specified in the following table. Family size includes the student and his dependents. If the student is divorced or separated, family size shall include any person whose income is taken into account for the purpose of computing the annual adjusted family income and his or her dependents.

Family Size Offsets

Family size:	*Dollar amounts*
2	3,700
3	4,500
4	5,700
5	6,750
6	7,650
7	8,450
8	9,350
9	10,250
10	11,100
11	11,950
12	12,800

An offset of $1,050 shall be made for the single independent student.

* * * * * * *

[FR Doc.75-21309 Filed 8-13-75;8:45 am]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office of Education

[45 CFR Part 190]

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

Notice of Expected Family Contribution for 1976-77 Academic Year

Pursuant to the authority contained in subpart 1 of part A of Title IV of the Higher Education Act of 1965 as amended (20 U.S.C. 1070a) notice is hereby given that the Commissioner of Education, with the approval of the Secretary of Health, Education, and Welfare, proposes to issue the following amendments to the regulations covering the basis for determining the expected family contribution of both dependent and independent students for academic year 1976-77.

These amendments are being submitted for public comment and review by both Houses of Congress in advance of the February 1 deadline specified in § 411(a) of the Higher Education Act of 1965 as amended (20 U.S.C. 1070a) so that review of the Schedules may be completed earlier than May 1, which is the date listed in the statute. It is the opinion of the Commissioner that the May 1 deadline for Congressional action does not permit students, parents, and educational institutions sufficient time to make effective decisions concerning the packaging of student financial aid resources. The regulations to which these amendments are proposed were previously published on April 4, 1975 (40 FR 15248).

The proposed amendments provide for a 10% increase in the family size offsets used during the 1975-76 academic year. This increase in living allowance is an estimate, and will be changed in accordance with the actual increase in the Consumer Price Index as published by the Bureau of Labor Statistics at the end of the year. The intent of this increase is to take into account inflation of the basic cost of living during the current year.

The proposed regulations further provide for an increase in the asset reserve from $10,000 to $12,500 for the average family, and to $25,000 for families reporting farm or business assets. This increase is intended to provide a more equitable determination of need for those families whose occupations requires a substantial asset position in order to achieve a relatively low level of income.

Interested persons are invited to submit written comments, suggestions, or objections regarding the proposed rules to Mr. Peter K. U. Voigt, Director, Division of Basic and State Student Grants, U.S. Office of Education, Room 5678, ROB-3, 400 Maryland Avenue, SW., Washington, D.C. 20202. All relevant material must be received not later than the 30th day following publication of this Notice of Proposed Rulemaking in the Federal Register unless the 30th day is a Saturday, Sunday, or Federal holiday, in which case the material must be received by the next following business day. Comments received will be available for public inspection at the above office Monday through Friday between 8 a.m. and 4:30 p.m.

It is hereby certified that the economic and inflationary impacts of this proposed regulation have been carefully evaluated in accordance with OMB Circular A-107.

Dated: July 30, 1975.

T. H. BELL,
U.S. Commissioner of Education.

Approved August 8, 1975.

Caspar W. Weinberger,
Secretary, Health, Education, and Welfare.

(Catalog of Federal Domestic Assistance No. 13,539, Basic Educational Opportunity Grant Program.)

Certified to be a true copy of the original document.

Part 190 of Chapter I of Title 45 of the Code of Federal Regulations is amended as follows:

PART 190—BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

* * * * * * *

1. Section 190.32 is amended as follows:

Paragraphs (d) through (h) become (e) through (j); paragraphs (j) through (n) become (l) through (p); and by adding new paragraphs (d) and (k) to read as follows:

190.32 Special Definitions

* * * * * * *

(d) "Business Assets" means property that is used in the operation of a trade or business including real estate, inventories, buildings, machinery and other equipment inventories, patents, franchise rights, and copyrights.

* * * * * * *

(k) "Farm Assets" means any property owned and used in the operation of a farm for profit, including real estate, livestock, livestock products, crops, farm machinery, and other equipment inventories. A farm is not considered to be operated for profit if crops or livestock are raised mainly for the use of the family, but some income is derived from incidental sales.

2. Section 190.33 is amended by revising subparagraph (1) of paragraph (c) to read as follows:

§ 190.33 The expected family contribution for dependent students from parents' and student's effective income.

* * * * * * *

(c) * * *

(1) *Family Size Offset.*—A family size offset is the amount specified in the following table. Family size includes the student, the student's parents and the student's parents' dependents. If the parents are divorced or separated, family size shall include the student and any parent whose income is taken into account for the purpose of computing the annual adjusted family income and that parent's dependents.

Family Size Offsets

Family size:	*Dollar amounts*
2	3,700
3	4,500
4	5,700
5	6,750
6	7,650
7	8,450
8	9,350
9	10,250
10	11,100
11	11,950
12	12,800

3. In § 190.35, subparagraph (2) of paragraph (a) is revised to read as follows:

§ 190.35 Computation of standard expected contribution from parents' assets

(a) * * *

(2) If the net assets determined in subparagraph (1) of paragraph (a) of this section include farm assets or business assets as defined in § 190.32 (d) and (k), deduct an asset reserve of $25,000 from the net assets. If the net assets determined in subparagraph (1) of paragraph (a) of this section do not include farm or business assets, deduct an asset reserve of $12,500 from the net assets.

4. Section 190.43 is amended by revising the subparagraph (1) of paragraph (c) to read as follows:

§ 190.43 The expected family contribution for independent students from annual adjusted family income

* * * * * * *

(c) * * *

(1) *Family Size Offset.*—A family size offset is the amount specified in the following table. Family size includes the student and his dependents. If the student is divorced or separated, family size shall include any person whose in-

come is taken into account for the purpose of computing the annual adjusted family income and his or her dependents.

Family Size Offsets

Family size:	Dollar amounts
2	3,700
3	4,500
4	5,700
5	6,750
6	7,650
7	8,450
8	9,350
9	10,250
10	11,100
11	11,950
12	12,800

An offset of $1,050 shall be made for the single independent student.

STATEMENT OF JOHN D. PHILLIPS, DEPUTY COMMISSIONER, ACCOMPANIED BY LEONARD H. O. SPEARMAN, ACTING ASSOCIATE COMMISSIONER FOR STUDENT ASSISTANCE, OFFICE OF EDUCATION; PETER K. U. VOIGT, DIRECTOR, DIVISION OF BASIC AND STATE STUDENT GRANTS, BUREAU OF POSTSECONDARY EDUCATION, OFFICE OF EDUCATION; AND RICHARD A. HASTINGS, DEPUTY ASSISTANT SECRETARY FOR LEGISLATION (EDUCATION), DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. PHILLIPS. I wonder if I might, at the outset, introduce my colleagues here with me this morning.

First, on my far right is Dr. Leonard Spearman, Acting Associate Commissioner for Student Assistance, and responsible for all of the student assistance and student services programs except the guaranteed loan program; and Mr. Peter Voigt, on my immediate right, who is the Director of the Division of Basic and State Student Grants; and Mr. Dick Hastings, who is the Deputy Assistant Secretary for Education Legislation.

Mr. Chairman and members of the subcommittee, I am pleased to be with you today to discuss the basic educational opportunity grant program and to share with you our proposals for changing the family contribution schedules for the 1976–77 academic year.

Before discussing the family contribution schedules, I would like to take this opportunity to give you a brief overview of the operation of the program during the current academic year.

We would like to report that as of September 5 the program has received over 1.8 million application forms. Further, applications are being received by the program at a rate of 35,000 to 40,000 per week and we are projecting that 2.3 million applications will be received by the March 15 deadline date. Since approximately 60 percent of these applicants are eligible and approximately 80 percent of the eligible applicants are expected to make use of the program, we are estimating that 1.1 million students will receive basic grant awards during the current year.

It should be noted that it is difficult to accurately predict the total level of expenditures for the program at this moment, particularly in

light of participation of part-time students who are eligible for the first time during the current year. However, given the information we have to date we are confident that we will be quite close to expending all of the approximately $800 million available for academic year 1975–76.

In addition to the ongoing program activities for the current year, we are well underway in our efforts to make the program operational for the 1976–77 academic year.

As you may recall from our testimony last year, we are making every effort to improve the timing of the basic grant program for the next academic year. Our goal is to again have next year's application forms printed and distributed to all high schools and eligible institutions of postsecondary education by the end of January 1976.

Mr. MOTTL. Excuse me a second. We will have to recess until the quorum call is over and until I can make the quorum, and we will continue afterwards.

[Brief recess.]

Mr. SIMON [presiding]. The subcommittee hearings will continue.

Dr. Phillips, you may continue, please.

Mr. PHILLIPS. Thank you.

In order to meet this schedule, we will need to have resolution on the family contribution schedules by November 1, 1975. If we are not able to reach resolution by that date, our printing schedule will need to be revised substantially and we will not be able to distribute the application materials until significantly later than January. We are hopeful, therefore, that we will be able to work with you in achieving early agreement on the modifications to be made in the schedules.

Before we discuss the proposed changes that we are recommending, I would like to make some general comments on the family contribution schedules.

I am aware that the basic grant formula has received criticism regarding its "strictness" and that the family contribution schedules are a "rationing" system rather than one which accurately measures a family's ability to finance postsecondary education. It should be pointed out that a family's ability to pay for postsecondary education is extremely difficult to measure on a systematic basis because it is closely related to a family's perception of its ability to pay. In other words, providing for the education of children is often a question of willingness to pay, and the question is often decided in the light of other consumer choices related to the family's preferences.

It might also be noted that all "need based" student financial aid programs are based on the assumption that parents are primarily responsible for paying for the education of their children and that other agencies should only assist when the family cannot meet these expenses. Therefore, the development or revision of any need analysis system is really based on a series of value judgments on how much families and individuals should contribute to education after the basic living allowances have been deducted from the available resources.

We would, at this time, like to share with you the changes we are proposing in the family contribution schedules. These changes, we believe, reflect the major concerns which have been raised during the past year. The concerns have been with the level of the asset reserve, the family size offsets, and the treatment of farm and business assets.

We have already outlined these changes for you in our letter of transmittal. However, we would like to review these proposals for the record.

As I am sure you know, the treatment of assets in the basic grant family contribution schedules has been a subject of considerable debate since the inception of the program. Recently there has even been some discussion regarding the elimination of assets from the schedules altogether or exempting certain kinds of assets from consideration. However, we believe that assets must be considered in the basic grant schedules because assets do contribute to a family's financial strength and different asset positions on the part of families would, of course, have a significant impact on the resources available for postsecondary education.

The treatment of assets, as you know, has been revised several times since the program was initiated and for the current year, 1975–76, the reserve against net assets is $10,000. We are, however, still concerned about those families who have the bulk of their assets in home equity. We agree that some of these families, especially those with low and lower middle incomes, may be treated inequitably through the current system. Therefore, we are proposing that the asset reserve of $10,000 be increased to $12,500 for the 1976–77 academic year.

According to our latest statistics on the current year's basic grant applicants, the overall average home equity of those families with homes and who have incomes of below $13,500 per year is below the $12,500 offset we are proposing. We believe that by increasing the asset reserve to this level we would significantly increase the equity of the formula and alleviate the major portion of the problems which we have recently experienced.

The basic grant program has since its inception been subject to a considerable amount of criticism regarding the treatment of farm and business assets. This criticism is based on the idea that these professions frequently require a substantial asset position in order to achieve a relatively low level of income. Therefore, it appears to critics of the program that the treatment of these kinds of assets in the family contribution schedules appears inequitable since it eliminates many low-income students from participating.

Recent data on the basic grant applicants indicates that approximately 4.8 percent of all filers are from families having farm assets and approximately 5.4 percent having business assets. In addition, the average reported farm equity for all farm applicants is $30,500 and for business applicants is approximately $7,300. At the same time, the eligibility rate of dependent students in the total population is approximately 62.6 percent while at the eligibility rate of students showing farm assets is 50.5 percent and students reporting business assets is 52.5 percent.

Therefore, we are proposing that the asset reserve for families having farm and business assets be increased from $10,000 to a total of $25,000. We believe that with this change low-income students coming from farm and business families will qualify at a rate which is comparable to the qualifying rate of low-income applicants from nonfarm and nonbusiness families.

The third modification we would propose is an adjustment to the family size offsets. We would maintain the base which has been used

and make an adjustment for 1975 inflation as measured by the 1975 Consumer Price Index. We estimate at this time that the inflation factor will range between 8 and 9 percent.

In summary, we believe that these changes will significantly improve the equity of the basic grant family contribution schedules and result in a more effective basic grant program for the 1976–77 academic year. A point that should be kept in mind during the discussions on the schedules is the relationship between the family contribution schedules and program appropriations and how that relationship affects the level of student awards.

During the current academic year basic grants is at full funding for the first three classes of students with awards ranging from $200 to $1,400 and an average award of approximately $750. Given the relatively low level of funding we are likely to receive under the 1976 appropriations and the fact that a fourth class will be added to the program next year, awards will need to be reduced to levels substantially below the current year if we maintain the current family contribution schedules. Liberalizations of the family contribution schedules such as those proposed will result in greater reductions in student awards.

This is not to say that the changes we are proposing should not be made since they will make the system more equitable. Rather we would simply like to point out that these changes will result in further reductions in the awards and that any additional revisions will increase this impact.

We have also provided you with some statistical tables on the impact of the current family contribution schedules on the 1974–75 applicants and the effect of the proposed changes. We would be pleased to review these statistical materials with you and answer any questions you may have about them.

However, before answering any questions you may have about the family contribution schedules in detail, I would now like to briefly turn to another matter which has concerned us for the past 1½ years.

As you know, the Keppel task force has proposed a student common data form which is to collect student information necessary to make awards for a variety of student aid programs at a number of post-secondary institutions. We have reviewed in detail the student common data form which was developed by the Keppel task force, and we would like to emphasize that we strongly endorse the concept of a student common data form. We are, therefore, proposing to implement a system which uses the elements of this form during the coming academic year.

In brief, our primary problem with the proposed form has been that it would collect a significant amount of information which is presently not collected by the basic grant program, and if this form were used, as proposed, it would complicate the basic grant application form in a major way.

We know that you share our concern about simplifying the basic grant application form to the greatest extent possible, and given the items of information needed under the statute and regulations to determine a student's expected family contribution, we believe our form is presently as simple as possible.

Therefore, the adoption of the entire student common data form as proposed by the Keppel task force in the basic grant program might actually complicate and make more difficult the completion of a student application for many persons instead of simplifying this process as we all would like to do.

The second problem that was anticipated with the student common data form was that we would be collecting a significant number of items of information from students which are not required to determine the eligibility of students for the basic grant program. In light of that fact, we believed that we might have serious conflict with the provisions of the Privacy Act of 1974.

Considering these two problems, balanced against our continuing commitment to eventually achieve the adoption of a student common data form, we are exploring the possibility of amending the basic grant application form for the coming year in order to provide to students, and through the students, to institutions, all of the information from the proposed student common data form which is necessary to determine the family contribution under the need analysis consensus model.

In addition, we are also proposing to implement a system which would share all of this information collected by the basic grant program with those State agencies wishing to receive it, provided that these State agencies use these data only to calculate a student's eligibility for awards under State student assistance programs.

We believe that, as a result of these two actions, we are taking a significant stride toward the adoption of a student common data form and at the same time also providing State agencies, students, and institutions with all of the information necessary to determine family contributions and make student awards in all but unusual cases under other need-based student assistance programs. In the meantime, these steps would not seem to disrupt the already functioning systems for calculating student eligibility and would permit all concerned parties a period of time to work out further steps that might be taken.

We have already begun to review this approach in detail with institutions of postsecondary education, State scholarship agencies and other concerned organizations, and such consultations will continue in the next few weeks. Our objective in these discussions will be to reach a conclusion by the end of October so that any changes in the basic grant system can be implemented in accordance with our schedule of operation for the coming academic year.

I would be pleased to respond to any questions you may have on either the proposed family contribution schedules or the steps we are proposing for implementing the student common data form.

Mr. SIMON. Dr. Phillips, let me explain the situation in which we find ourselves this morning. You were invited to testify, and some other witnesses were invited to appear and have come here from out of the city to testify. However, a Member of the House has exercised his legitimate rights under the Rules of the House and has objected to any committee meetings once the House actually begins meeting under the 5-minute rule today. We are not at this moment in violation of that objection, but we will be when the House concludes its brief period of 1-minute speeches and its quorum call, and resumes sitting as a Committee of the Whole House.

I am reluctant to impose on our witnesses, but we have no real alternative. I am going to ask that you respond to a few questions, and that the staff consult with the other witnesses to see if they can present their testimony in written form. Once the quorum call is over, of course, we will then, under the rules, have to adjourn this meeting. But I know that everyone shares your wish, the chairman's wish, and our wish not to delay these proceedings in any way we can avoid.

Dr. Phillips, if I may, first of all, what would be your reaction to some kind of tying into the Consumer Price Index from here on out any figures that we would ultimately agree to?

Mr. PHILLIPS. Mr. Simon, we would have no objection to doing that. As a matter of fact, that is the procedure we have followed for each of the last 3 years, taking a base and then adjusting the family size offset annually in accordance with the Consumer Price Index changes.

Are you asking whether you might want to have this procedure prescribed in the law?

Mr. SIMON. You are talking to a freshman member of this committee and I am not sure whether the figures you are talking about are in the law. They are not specified?

Mr. PHILLIPS. No. I think the law does specify that there has to be an offset for purposes of maintenance of the family and necessary expenses. But the manner of the calculation is a subject of the annual review.

Mr. SIMON. Then we would proceed to ask what your reaction would be to specifying that in the law?

Mr. PHILLIPS. Well, I guess probably I would have some reservations about that, because we like to believe that the annual review process and the annual consideration of these schedules provides a very adequate safeguard against any kind of arbitrary action on the part of administrative officers in this area. It may very well be that at some time we might want to mutually consider a change or a variation on this model, and I would hate to have those options restricted by a firm statement in the statute.

Mr. SIMON. As I read your statement and listened to you testify, and I may be reading this incorrectly, what you are suggesting is that more will be eligible under, or more students will be eligible under the new formula or possibilities you suggest, but that the student grant would then be diminished; is that correct?

Mr. PHILLIPS. Yes. Let me try to summarize those two points together here.

When we liberalize the asset reserve, as we are really doing in two different ways here—proposing to increase the general asset reserve and we are also proposing to extend it very significantly for families with farm or business assets—that means you have a smaller pool of assets that can be taxed for purposes of determining the family contribution. That means, in turn, that more students that might otherwise be ineligible, by reason of having a family contribution too high to leave any room to qualify for a basic grant, now become eligible in increasing numbers. We believe it is justified on equity grounds, as I indicated.

On the other hand, we have a very real problem. This year's appropriation level, plus the carryover funds from last year, has made

funds available in the total amount of $800 million. We know under the appropriations language we are going to be extending the program to a fourth year, both full time and part time, for next year. Our budget estimate, which we submitted to Congress earlier this year to fully fund the basic grant program, was $1.050 billion.

Now, the 1976 appropriation is only $715 million. Therefore, if nothing is done to change that and the appropriation level of $715 million remains constant, then we are going to have to have a reduction of awards from the full funding level achieved this year for the first three classes, full time and part time, and the liberalization and expansion of the numbers of eligible students will further depress the level of awards.

Mr. SIMON. What we are ending up doing is doing just the opposite for students—as the costs rise, the student assistance diminishes.

Mr. PHILLIPS. Yes, sir, that is true and that is an unfortunate consequence. But, on the other hand, we think there are compelling grounds of equity for making these changes. We tried to elaborate in the testimony, for example, on the whole business of the home equity problem, and when your median home equity of the currently eligible population is above the asset exclusion level, there are certainly grounds for saying, "Some people are really being treated rather unfairly here." So it is a tradeoff which does seem perhaps a little strange, but we feel there are compelling arguments in the interest of equitable treatment.

Mr. SIMON. Suppose you went to your $12,500 figure and suppose you adopt the $25,000 farm and business figure you are talking about, and suppose you have student levels at the present time, not giving them any increment for inflation factors—what kind of dollar increase are you talking about?

Mr. PHILLIPS. I wonder if I could ask Peter Voigt to respond to that question.

Mr. VOIGT. I think overall, Mr. Simon, the changes that we are proposing will essentially increase the program costs by approximately 8 to 10 percent and, therefore, if no additional funds are available, awards will be reduced by roughly that same percentage.

Mr. SIMON. I am sorry, I am listening to two conversations at the same time and neither one adequately, I regret.

Very specifically, what are we talking about dollarwise?

Mr. PHILLIPS. OK, the added cost to the program, with these changes, is roughly 8 to 10 percent. Therefore, the awards would be reduced for each student by roughly the same percentage.

Mr. SIMON. But if we funded that student assistance where, you know, we would like to fund it, at the present level?

Mr. PHILLIPS. Then the cost of full funding with the changes that are proposed would still be about $1.050 billion.

Mr. SIMON. That is not the increment?

Mr. PHILLIPS. That would include the increment, so you can take 10 percent, or $100 million, off of that to roughly fully fund.

Mr. SIMON. Well, the $1 billion, what you say is the difference between $715 million or $820 million, or are you talking about another $200 million or $300 million more?

Mr. VOIGT. We are talking about 3 years here.

Mr. PHILLIPS. If I may, we are also talking about the addition of a fourth class. We are talking about the addition of part-time students

across the board. We are talking about as yet uncertain participation rates, because we really don't have the kind of program history and experience that allows us to project very accurately and precisely what the participation rate among the eligible population is likely to be. So we have maintained the current working figure of $1.050 billion, feeling that as we get more data on participation rates we may need to revise that figure. But we think, given our latest evidence, that we can accommodate these changes within a funding price tag of about $1.050 billion.

[The material referred to follows:]

INCREMENTAL COSTS FOR PROPOSED CHANGES IN BASIC EDUCATIONAL OPPORTUNITY GRANT FAMILY CONTRIBUTION SCHEDULES FOR THE 1976-77 ACADEMIC YEAR

Costs assuming no changes from 1975-76	$1,005
10 percent CPI increase	13
$12,500 asset reserve	22
$25,000 asset reserve for farmers and businessmen	10
Total cost (1976-77)	1,050

These costs estimates are based on full-funding for four classes, full and part-time, and a 60 percent participation rate.

Mr. SIMON. I will yield at this point to the chairman of the subcommittee who has some new glasses so he looks a little more senatorial.

Mr. O'HARA. You can see what happens when I go away for a couple of days.

I was wondering, has there been any discussion of the question of applying the farm and business asset treatment to a homestead?

Mr. SIMON. No; there has not been any statement.

Mr. O'HARA. I would like to inquire as to whether or not any consideration was given to that sort of act of exemption, the homestead as an exemption, rather than simply farm and business?

Mr. PHILLIPS. I wonder, Mr. Chairman, before we endeavor to reply, whether you might offer a definition of "homestead" as opposed to a farm that would fall under the normal definition.

Mr. O'HARA. A principal residence exemption for assets that are involved in the value of the principal residence in which the family actually resides.

Mr. PHILLIPS. Well, we are proposing essentially an increase in the reserve against home equity when we make the proposal for a general increase from $10,000 to $12,500.

Mr. O'HARA. You apply that against everything, though?

Mr. PHILLIPS. Well, it is designed primarily, as I indicated in the testimony, to protect the home equity position. Well over 300,000 current applicants would be affected by this change and it would protect the entire home equity of almost 60 percent of the current basic grant applicants.

Perhaps I can ask Mr. Voigt to point out the exact table among those that we gave you and speak to that issue.

Mr. VOIGT. Do you have the set of tables?

Mr. O'HARA. Which table?

Mr. VOIGT. 5(a).

You will note, Mr. Chairman, when you look at the home equity column, the second from the last column on this table, for those families with an income of $9,000 to $12,000 the average home equity is

actually below the increased offset against asset we are proposing, so on the average the home equity of the vast majority of families, particularly those in the programs target group, will be exempted. Therefore, these families will not have a contribution from assets considered in their determination of eligibility.

Mr. O'HARA. Well, within our current economic situation, with unemployment running at 8.4 percent nationally—and unemployment is much higher, in my own State—there are quite a few people who are unemployed who are of an age where they have college age children—so that would put them generally, I guess, in their forties and fifties, perhaps—who have built up a considerable equity and they have been buying their homes, or have been making payments on a home for 10 or 15 or 20 years.

For instance, one of the gentlemen, one family about whom I had correspondence with, Mr. Voigt, consists of an unemployed superintendent of schools. He has a home equity of some $27,000 or $28,000, no income except, I guess, unemployment compensation; and his wife, I think, has a job which does not pay particularly well. I think there must be a lot of cases of that sort. His daughter applied for BEOG and was unable to obtain a BEOG because of the home equity.

Mr. PHILLIPS. Mr. Chairman, perhaps we could take that case and hold it up for inspection. Let's say there is a net home equity position of $27,500 under the proposed schedule that we are suggesting to you here today. We would exclude $12,500 of that, which would leave a net taxable asset position of $15,000.

Now, the tax rate on assets is 5 percent. That would mean, then, that the total contribution derived on that basis would be $750. If it is in effect a zero income family, there would still be an opportunity to receive a basic grant of up to $650.

So I am a little mystified as to whether, if the person of whom you speak has no income.

Mr. O'HARA. The spouse has an income but not a great deal.

Mr. PHILLIPS. If the income were in the range of $4,000 or $5,000 or $6,000, then that would be excluded under the family size offset, so there would be no taxation of income and the student should still have an eligibility of up to $650 for a basic grant.

Mr. O'HARA. Under these circumstances, would they be judged on the previous year's income?

Mr. VOIGT. No. If a wage earner has been unemployed for 10 weeks in the current year, he can submit an application based on an estimate of the current year's income.

Mr. O'HARA. Do you have any estimates on how much it would cost to extend the assets treatment you have for business and farm assets to home equity in a principal residence and anything we could compare; for instance, the cost of doing that to the cost of raising the general asset exemption in $10,000 to $12,500?

Mr. VOIGT. We have not done an estimate of that kind, but we can certainly provide it for the record.

Mr. SIMON. If the gentleman will yield at this point.

Mr. O'HARA. Yes.

Mr. SIMON. Do you have any idea of the cost of the movement—$25,000 on farm and business?

Mr. PHILLIPS. That only affects, what, 6 or 8 percent total?

Mr. VOIGT. Ten percent.

Mr. PHILLIPS. Of the total applicants. So it is not nearly as significant a cost factor as it would be to make further adjustment in the overall asset exclusion.

Mr. SIMON. When you go from $10,000 to $25,000, that is a pretty significant jump. I am from a rural area, and while I have some sympathy for this posture, I can see where giving one person a $25,000 exemption and someone else $10,000, might cause some real problems.

Mr. VOIGT. I think, and we will have to verify it, the cost of increasing the farm and small business asset reserve to $25,000 is about a 1-percent addition to the total program cost.

We will do an analysis to determine the cost, but increasing the asset reserve for the total range of assets to $25,000, will be considerably higher since approximately 50 percent of our applicants report home equity, and the cost for that alone would be considerably larger.

Mr. SIMON. Mr. Quie.

Mr. QUIE. What is the difference in the ability to borrow on their equity? I assume that is one of the reasons why you do have this regulation that you do not exempt all of their equity.

It seems to me that if a person has a home at a value of $25,000, it would be an easier thing to get a second mortgage on that home than if a person has equity of $25,000 on a farm and is getting a mortgage on the farm. The farmer is dependent on the farm for his income and may not have too good an income.

The same way with the smal business of $25,000. Have you looked into that at all?

Mr. PHILLIPS. You mean differential capacities to borrow based on types of assets?

Mr. QUIE. Yes.

Mr. PHILLIPS. I can't honestly say we have looked into it with any degree of intensity, but I think our suppositions would be pretty much along the lines you suggest. Quite apart from the question of taking a second mortgage or anything of that sort, a strong equity position in a home certainly increases credit standing and is a fairly significant factor for borrowing in various ways, even on personal credit.

Mr. QUIE. In both instances, we are talking about a low-income individual, and let's look at it on an equal basis.

Mr. SIMON. Mr. O'Hara.

Mr. O'HARA. I would like to have a really good grasp on the cost of various alternatives in connection with the assets reserves, you know. In other words, it seems to me that, yes, that is right, giving a $25,000 reserve for home equity would cost a very considerable amount. I don't know what it cost to provide a $12,500 asset reserve generally.

It seems to me there are lots of tradeoffs here. You could, for instance, if you wanted to give special treatment to farm, business, and home equity, you might at the same time want to drop your generalized asset reserves. So, do you get what I mean?

In other words, I think there are different ways you could manipulate it and come out with differing costs or the same costs, and I would like to be able to have you develop some materials, if you could, that we might use to review that whole question of the different kinds of changes you can make at approximately the same costs or at somewhat more or somewhat less. I wonder if you could do that?

Mr. PHILLIPS. We would be happy to do it.

I wonder, would it be permissible for us, perhaps, to consult with your staff as to the specific kinds of options you would like for us to explore in detail?

Mr. O'HARA. Yes.

[The material referred to follows:]

SUMMARY OF BASIC GRANT COSTS ESTIMATES

It should be noted in reviewing the attached table, that the asset reserve is only applied to the equity of parental assets. If any offsets were to be established and applied against student assets, such a move would, of course, result in additional program cost increases.

In addition, the estimates assume that only 60 percent of potentially eligible students will actually enroll and receive Basic Grant assistance. Obviously, as the program matures, this "participation rate" is expected to increase with corresponding increases in costs.

For comparative purposes, the estimated program costs for the 1976–77 program year which assumes an asset reserve of $12,500 for all applicants and $25,000 for businessmen and farmers, is estimated to be $1.[illegible] billion. This means that the increase in program costs assuming the adoption of the highest asset reserve in the attached table (i.e., $50,000–$10,000) will be $140 million. More importantly however, is the cost increase of $100 million of the $25,000–$2,000 asset reserve level. This sharp increase is due to the fact that about 80% of all applicants reporting assets report an asset equity of $25,000 or less.

FULL FUNDING, BASIC GRANT COST ESTIMATES FOR ALTERNATIVE COMBINATIONS OF SEPARATE ASSET RESERVES AGAINST HOME-BUSINESS-FARM ASSETS AND OTHER ASSETS (ASSUMING VARIOUS ASSET RESERVES FOR PARENTAL ASSET EQUITY [1])

Asset reserve against parental home, business, farm equity	Asset reserve against parents other assets				
	$2,000	$4,000	$6,000	$8,000	$10,000
$25,000	[2] $1,150	$1,150	$1,160	$1,170	$1,170
	[3] 1,330,000	1,340,000	1,345,000	1,350,000	1,355,000
$30,000	$1,165	$1,170	$1,170	$1,175	$1,180
	1,350,000	1,350,000	1,360,000	1,360,000	1,360,000
$35,000	$1,170	$1,175	$1,180	$1,180	$1,180
	1,360,000	1,360,000	1,365,000	1,370,000	1,370,000
$40,000	$1,180	$1,180	$1,185	$1,185	$1,185
	1,370,000	1,370,000	1,370,000	1,370,000	1,375,000
$45,000	$1,185	$1,185	$1,190	$1,190	$1,190
	1,370,000	1,375,000	1,375,000	1,375,000	1,380,000
$50,000	$1,190	$1,190	$1,190	$1,190	$1,190
	1,375,000	1,375,000	1,380,000	1,380,000	1,380,000

[1] Assumes no change from 1975–76 family contribution schedule except 10 percent CPI increase. Costs based on full-funding for 4 classes, full and part-time, and 60 percent participation rate. Cost estimates in millions of dollars.
[2] Full funding cost (in $000,000).
[3] Number of students served.

FULL FUNDING BASIC GRANT COST ESTIMATES [1] ASSUMING VARIOUS ASSET RESERVES AGAINST ALL NET ASSETS

Asset reserve	Program cost [2]	Eligibles
$12,500	$1,040	1,230,000
$15,000	$1,080	1,255,000
$17,500	$1,110	1,285,000
$20,000	$1,120	1,300,000
$25,000	$1,140	1,330,000

[1] Assumes no change from 1975–76 Family contribution schedules except 10 percent CPI increase and respective asset reserve. Based on full-funding for four classes, full and part-time, and 60 percent participation rate.
[2] Costs are in millions of dollars. Excludes additional cost of $10,000,000 for proposed $25,000 asset reserve for farm and business assets.

Mr. PHILLIPS. Since there are almost as many options as there are people in any discussion of this, I would like to get your requirements restricted down so that we could get back to you fairly swiftly.

As I indicated, we have a very serious timing problem here. We would like to try to come to a conclusion on this matter by the 1st of November in order to meet our work schedule. So if that would be a permissible procedure, for us to consult with the staff and get some specific instructions as to which kinds of things you would like for us to explore, we will be happy to comply with the request.

Mr. O'HARA. I hope you would, and it will help us in making some decisions that we have to make.

I would like to inquire of my associates, Mr. Simon and Mr. Quie, whether or not a $25,000 farm asset exemption set-aside makes any sense in the light of today's land values? I suppose this is not only land, but machinery and equipment and cattle, whatever. I am not sure it makes any appreciable dent in the situation of a typical farm family, if the family is of such an age that they have college-age children and they are therefore in their fifties.

Mr. PHILLIPS. I think, Mr. Chairman, we might look at table 7(a) to inform us on the issue you are raising.

Mr. SIMON. Before we get to 7(a), my reaction is that in my area, it would make a difference, and I think in much of the South generally, across southern Illinois and the South, it would also make a difference.

Mr. QUIE. My reaction is, while in my area by the time a person has a student in college, his net equity undoubtedly will be above $25,000, or it is certainly a lot better than $10,000—so you do move up to where you penalize as much for equity if it is above that.

I was looking at the 7(a) table and it kind of indicates as well you have to get up to above $6,000 before the average was above $25,000. Even at $4,500, $6,000, it is at $25,000, meaning half of them are above $25,000.

Mr. O'HARA. These "means" that you have here are based on BEOG applicants.

Mr. VOIGT. Yes; these data are based on information reported on 1,500,000 1975–76 basic grant applicants.

Mr. O'HARA. It is not farm families generally?

Mr. VOIGT. No.

Mr. O'HARA. The same for the homeowners?

Mr. VOIGT. Yes.

Mr. O'HARA. It is what they show as percentages of BEOG applicants.

Mr. PHILLIPS. They are dependent applicants.

Mr. O'HARA. All right, dependent applicants, but it may be, of course, that the figures are—well, in other words, some of these kids, especially the ones who are taking advanced mathematics, might be able to figure out before they make out the application and send it off that their chances are not so good. So you may be light on the heavier end of these in terms of students who feel they need help because there is probably a self-selecting process in there.

Mr. VOIGT. That is entirely possible. However, wherever possible, we try to check figures on income and assets reported by our population against similar figures covering the general population. By and large, the data that we collected for the applicants is very close to similar figures for the general student population within the same kind of income ranges.

Mr. SPEARMAN. Mr. Chairman, you might also want to recall the article reporting that the performance in English and math by high school applicants is in general decline.

Mr. O'HARA. The number who are figuring that out for themselves is diminishing, then.

Mr. SPEARMAN. Yes.

Mr. QUIE. Will you yield?

Mr. O'HARA. Yes.

Mr. QUIE. Another way to look at the $15,000 raise for those with a business or farm—if you did not do that you take a 5-percent penalty against it, which is $750, so that means everybody who has a child actually gets $500, or are rather $750 better off. So even though you don't come up to full equity at that time, at the lower incomes, it is a tremendous benefit and help.

The difference is that the farmer is earning his money and the businessman is earning his money from that equity, but the homeowner is not earning his money from equity in his home but rather is earning money from a job elsewhere and therefore it is not penalizing in any way for the equity that goes into that job.

I saw by the estimate that it takes an investment of about $25,000 to develop one job in this country. That means somebody else has the equity and, therefore, the wage earner is not penalized for this equity where the person who owns the farm or business is penalized.

But I think there is a reason for trading. I like what you suggest for the homeowner. Is it better to move the equity up rather than moving that general figure up?

Mr. O'HARA. That is an interesting question, whether that might not make some sense. I am concerned about the proposed wording of the whole thing. If I can call your attention to the proposed regulations:

> If the net assets determined in paragraph A(1) of this section include farm assets or business assets, deduct an asset reserve of $25,000 from the net assets.

All right, I have a situation. Let's say my wife has a small business, a landscaping kind of thing, and she has maybe $1,000 worth of assets. That is because it is mostly operated out of her head and you don't count that, so, in any event, if she has $1,000 worth of business assets, then you deduct an asset reserve of $25,000 from the net assets, right?

Mr. VOIGT. That is correct in that case. We debated that whole question at length. The result really revolves around simplicity of the form and how asset information, particularly for farmers, is reported. Frequently a farmer looks at his farm, including home equity, and just reports it as one item, although there is clearly a home on the farm. We try to develop a form which is easy to understand. We would be reluctant to add any item which would complicate it and have students try to determine how to report accurate information for separate categories.

At the moment I don't have a frequency count on how often students combine assets such as home and farm, but my impression is that it happens in a large percentage of cases.

Mr. PHILLIPS. I take it, Mr. Chairman, your concern is that the proposal for farm and business assets could, in effect, be used for those

categories of applicants to get a tremendous windfall exclusion on home equity.

Mr. O'HARA. That is right.

Mr. PHILLIPS. If the actual value of farm assets were less than $12,500.

Mr. O'HARA. Or stocks and bonds.

Mr. PHILLIPS. Yes. So what you are really proposing is that we explore the possibility of having, in effect, three categories of assets which would have a higher exclusion level—home as well as farm and business—and then perhaps treat the others separately?

Mr. O'HARA. Not excluded, though, beyond the value of the particular kind of assets. That is what my concern is there.

Mr. PHILLIPS. Yes.

Mr. O'HARA. If I had $50,000 in nonbusiness assets and $2,000 in business assets, my asset reserve would not be $12,500?

Mr. PHILLIPS. It would be $25,000.

Mr. O'HARA. Yes; it would be $25,000.

Mr. VOIGT. That is true.

Mr. O'HARA. Even though my $2,000 of business assets would let me write off an additional $10,500 of non-business assets.

Mr. VOIGT. You are quite correct. I think when you look at it in terms of the form itself and how one collects that kind of data (many small businessmen really operate out of their homes) it is difficult to try to separate the portion of assets attributable to the business from the portion of assets considered as home equity.

Mr. PHILLIPS. I think we understand your point and I think we certainly will look into it and at least be very conscious of the wording problem you have identified.

As I say, we will be happy to explore some alternatives in consultation with your staff.

Mr. O'HARA. That will be one of the things you will consult the staff about?

Mr. PHILLIPS. Yes.

Mr. O'HARA. No further questions.

[The material referred to follows:]

SUMMARY STATISTICS-BASIC GRANT PROGRAM

	1974–75	1975–76 [1]
Number of applications processed	1,304,877	1,675,439
Number of applications returned (insufficient data)	190,793	117,980
Number of valid applications	1,114,084	1,557,459
Number of applicants qualified	681,648	1,011,078
Number of applicants not qualified	432,436	546,381
Percentage of valid applicants qualifying	61.2	64.9
Data summary of valid applicants:		
1. Dependent students:		
Number of applications from dependent students	896,366	1,250,544
Percentage of valid applications from dependent students	80.5	80.3
Number of dependent applicants who qualify	532,705	785,145
Percentage of dependent applicants who qualify	59.5	62.8
2. Independent students:		
Number of valid applications from independent students	217,718	306,915
Percentage of valid applications from independent students	19.5	19.7
Number of independent applicants who qualify	148,943	225,933
Percentage of independent applicants who qualify	68.4	73.6
3. Applicants with farm assets:		
Number of dependent applicants with farm assets	53,368	73,158
Percentage of dependent applicants with farm assets	5.8	5.9
Number of dependent applicants with farm assets who qualify	23,261	36,972
Percentage of dependent applicants with farm assets who qualify	44.4	50.5

SUMMARY STATISTICS-BASIC GRANT PROGRAM—Continued

	1974–75	1975–76 [1]
4. Applicants with business assets:		
Number of dependent applicants with business assets	56, 107	81, 568
Percentage of dependent applicants with business assets	6. 3	6. 5
Number of dependent applicants with business assets who qualify	27, 286	42, 627
Percentage of dependent applicants with business assets who qualify	48. 6	59. 6
5. Social security educational benefits recipients:		
Number of applicants receiving social security educational benefits	115, 791	
Percentage of applicants receiving social security educational benefits	10. 1	
Number of applicants receiving social security educational benefits who qualify	57, 518	
Percentage of applicants receiving social security educational benefits who qualify	49. 7	
6. Veterans educational benefit recipients:		
Number of applicants receiving veterans educational benefits	59, 736	74, 298
Percentage of applicants receiving veterans educational benefits	5. 4	4. 8
Number of applicants receiving veterans educational benefits who qualify	23, 258	44, 127
Percentage of applicants receiving veterans educational benefits who qualify	38. 9	59. 5

[1] Applications processed as of Sept. 3, 1975.

TABLE II.—(1975–76) [1] DEPENDENT APPLICANTS BY ELIGIBILITY STATUS AND INCOME RANGE

Total applicants	Income range						
	0 to $2, 999	$3,000 to $4, 499	$4,500 to $5, 999	$6,000 to $8, 999	$9,000 to $11, 999	$12,000 plus	Total
Qualifying (percent)	99. 3	98. 4	96. 1	90. 5	76. 8	22. 5	61. 0
Nonqualifying (percent)	. 7	1. 6	3. 9	9. 5	23. 2	77. 5	39. 0
Total percentage	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0
Total number of applicants	78, 821	63, 360	66, 386	138, 109	135, 196	361, 433	843, 305
Percent of total number of applicants	9. 4	7. 5	7. 9	16. 4	16. 0	42. 9	100. 0
Number of qualified applicants	78, 284	62, 345	63, 763	124, 990	103, 782	81, 227	514, 391
Percentage of qualified applicants within each income range	15. 2	12. 1	12. 4	24. 3	20. 2	15. 8	100. 0

[1] Based on applications processed as of July 4, 1975.

TABLE III.—ELIGIBILITY INDEX LEVEL BY FAMILY INCOME FOR QUALIFIED DEPENDENT APPLICANTS, TOTAL NUMBER OF PERSONS AND PERCENT IN EACH INCOME RANGE (1975–76)

Eligibility index	Income range						Total qualified applicants by eligibility index
	$0 to $2,999	$3,000 to $4,499	$4,500 to $5,999	$6,000 to $8,999	$9,000 to $11,999	$12,000 plus	
0 to 200	76, 654	58, 836	53, 649	64, 762	15, 518	1, 799	270, 618
Percent	97. 2	94. 4	84. 1	51. 8	14. 7	2. 2	52. 6
201 to 400	1, 266	1, 683	5, 171	23, 102	16, 646	4, 808	52, 676
Percent	1. 6	2. 7	8. 1	18. 5	16. 0	5. 9	10. 3
401 to 600	463	788	2, 110	16, 937	21, 356	10, 773	52, 427
Percent	. 6	1. 3	3. 3	13. 5	20. 6	13. 3	10. 2
601 to 800	270	487	1, 312	10, 138	21, 126	17, 282	50, 615
Percent	. 3	. 8	2. 1	8. 1	20. 4	21. 3	9. 8
801 to 1,000	156	333	871	6, 077	17, 710	22, 607	47, 754
Percent	. 2	. 5	1. 4	4. 9	17. 1	27. 8	9. 3
1,001 to 1,200	75	218	650	3, 974	11, 426	23, 958	40, 301
Percent	. 1	. 3	1. 0	3. 2	11. 0	29. 5	7. 8
Total	78, 284	62, 345	63, 763	124, 990	103, 782	81, 227	514, 391
Percent	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0	100. 0
Percent of applicants in each income range	15. 2	12. 1	12. 4	24. 3	20. 2	15. 8	100. 0

TABLE IV-A.—ASSET RANGE BY TYPE OF ASSET FOR ALL DEPENDENT APPLICANTS (1975–76 [1])

Asset range	Farm equity for farmowners		Business equity for business owners		Home equity for homeowners		Total asset equity for all dependent applicants [2]	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0 to $7,499	15, 313	30. 3	35, 178	67. 5	193, 487	35. 5	384, 225	45. 6
$7,500 to $12,500	5, 051	10. 0	4, 929	9. 5	112, 488	20. 6	115, 469	13. 7
$12,500 to $25,000	10, 163	20. 1	6, 896	13. 2	180, 215	33. 0	201, 010	23. 8
$25,000 to $35,000	5, 249	10. 4	2, 032	3. 9	42, 998	7. 9	68, 526	8. 1
$35,000 plus	14, 804	29. 2	3, 047	5. 9	16, 187	3. 0	74, 075	8. 8
Total	50, 580	100. 0	52, 082	100. 0	545, 375	100. 0	843, 305	100. 0

[1] Application processed as of July 4, 1975.
[2] Includes 151,326 applicants reporting no assets.

TABLE IV-B.—ASSET RANGE BY TYPE OF ASSET FOR ALL QUALIFIED DEPENDENT APPLICANTS (1975-76 [1])

Asset range	Farm equity for eligible farmowners		Business equity for eligible business owners		Home equity for eligible homeowner		Total asset equity for all eligible dependent applicants	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0 To 7,499	11,271	46.2	21,279	80.6	151,252	52.1	328,347	63.8
$7,500 to $12,500	3,139	12.9	2,190	8.3	65,379	22.5	74,965	14.6
$12,500 to $20,000	5,288	21.7	2,256	8.5	66,247	22.8	89,159	17.3
$25,000 to $35,000	1,966	8.1	404	1.5	6,103	2.1	14,004	2.7
35,000 plus	2,721	11.1	278	1.1	1,260	0.5	7,916	1.6
Total	24,385	100.0	26,407	100.0	290,241	100.0	514,391	100.0

[1] Applicants processed as of July 4, 1975.

ADDENDUM—TABLE IV

FARM OWNERS

A comparison of dependent applicants reporting farm assets indicates that approximately 45% have net assets of less than $25,000, whereas, 60.4% have farm equity of $25,000 or less.

BUSINESS OWNERS

A comparison of dependent applicants reporting business assets indicates that approximately 57% have net assets of less than $25,000, whereas, 90.2% have business equity of $25,000, or less.

HOME OWNERS

A comparison of dependent applicants reporting home equity indicates that approximately 46% have net assets of $12,500 or less whereas 56.1% have home equity of $12,500 or less.

TABLE V-A.—MEAN HOME EQUITY FOR ALL DEPENDENT APPLICANTS BY TOTAL INCOME (1975-76 [1])

Income range	Homeowners		All applicants		Home equity for homeowners—Mean	Total asset equity (homeowners)
	Number	Percent	Number	Percent		
0 to $2,999	33,836	6.2	78,821	9.3	$6,345	$8,500
$3,000 to $4,499	28,738	5.3	63,360	7.5	7,082	9,288
$4,500 to $5,999	32,306	5.9	66,386	7.9	8,058	10,539
$6,000 to $8,999	76,356	14.0	138,109	16.4	9,414	12,191
$9,000 to $11,999	88,025	16.1	135,196	16.0	10,674	14,018
$12,000 plus	286,114	52.5	361,433	42.9	14,809	19,229
Total	545,375	100.0	834,305	100.0	12,054	15,699

[1] Applications processed as of July 4, 1975.

TABLE V-B.—MEAN HOME EQUITY FOR ALL QUALIFIED DEPENDENT APPLICANTS BY TOTAL INCOME (1975-76 [1])

Income range	Eligible homeowners		All eligible applicants		Home equity for eligible homeowners—Mean	Total net assets for eligible homeowners
	Number	Percent	Number	Percent		
$0 to $2,999	33,625	11.6	78,284	15.2	$5,665	$7,702
$3,000 to $4,499	28,286	9.7	62,345	12.1	6,348	8,317
$4,500 to $5,999	31,065	10.7	63,763	12.4	6,932	8,923
$6,000 to $8,999	69,148	23.8	124,990	24.3	7,528	9,339
$9,000 to $11,999	66,902	23.1	103,782	20.2	7,315	9,384
$12,000 plus	61,215	21.1	81,227	15.8	7,822	9,666
Total	290,241	100.0	514,391	100.0	7,146	9,085

[1] Applications processed as of July 4, 1975.

TABLE VI-A.—MEAN BUSINESS EQUITY FOR ALL DEPENDENT APPLICANTS BY TOTAL INCOME (1975-76 [1])

Income range	Business owners		All applicants		Business equity for business owners—Mean	Total net assets (business owners)
	Number	Percent	Number	Percent		
$0 to $2,999	3,305	6.4	78,821	9.3	$4,833	$22,818
$3,000 to $4,499	3,092	5.9	63,360	7.5	5,550	21,216
$4,500 to $5,999	4,027	7.7	66,386	7.9	5,655	21,881
$6,000 to $9,999	9,966	19.1	138,109	16.4	5,714	23,657
$9,000 to $11,999	9,580	18.4	135,196	16.0	6,536	25,913
$12,000 plus	22,112	42.5	361,433	42.9	9,313	37,333
Total	52,082	100.0	843,305	100.0	7,323	29,543

[1] Applications processed as of July 4, 1975.

TABLE VI-B.—MEAN BUSINESS EQUITY FOR ALL QUALIFIED DEPENDENT APPLICANTS BY TOTAL INCOME (1975-76 [1])

Income range	Business owners		All applicants		Business equity for business owners—Mean	Total net assets for businesss owners
	Number	Percent	Number	Percent		
0 to $2,999	3,236	12.2	78,284	15.2	$3,631	$20,125
$3,000 to $4,499	2,934	11.1	62,345	12.1	4,246	17,643
$4,500 to $5,999	3,593	13.6	63,763	12.4	3,784	16,707
$6,000 to $8,999	7,621	28.9	124,990	24.3	2,183	14,926
$9,000 to $11,999	5,571	21.1	103,782	20.2	1,171	12,666
$12,000 plus	3,452	13.1	81,227	15.8	−695	11,324
Total	26,407	100.0	514,391	100.0	2,218	15,160

[1] Applications processed as of July 4, 1975.

TABLE VII-A.—MEAN FARM EQUITY FOR ALL DEPENDENT APPLICANTS, BY TOTAL INCOME (1975-76 [1])

Income range	Farmowners		All applicants		Farm equity for farmowners—Mean	Total net assets (farmowners)
	Number	Percent	Number	Percent		
0 to 2,999	5,918	11.7	78,621	9.3	$23,575	$31,327
$3,000 to $4,499	4,032	8.0	63,360	7.5	23,478	31,538
$4,500 to $5,999	4,419	8.7	66,386	7.9	24,519	33,850
$6,000 to $8,999	9,174	18.1	138,109	16.4	26,017	35,881
$9,000 to $11,999	8,350	16.7	135,196	16.0	27,848	38,829
$12,000 plus	18,587	36.8	361,433	42.9	39,058	56,348
Total	50,580	100.0	843,305	100.0	30,497	42,838

[1] Applications processed as of July 4, 1975.

TABLE VII-B.—MEAN FARM EQUITY FOR ALL QUALIFIED DEPENDENT APPLICANTS BY TOTAL INCOME (1975-76 [1])

Income range	Eligible farmowners		All eligible applicants		Farm equity for eligible farmowners—Mean	Total net assets for eligible farmowners
	Number	Percent	Number	Percent		
0 to $2,999	5,676	23.3	78,284	15.2	$19,348	$25,874
$3,000 to $4,499	3,633	14.9	62,345	12.1	16,531	23,338
$4,500 to $5,999	3,483	14.3	63,763	12.4	14,686	21,620
$6,000 to $8,999	5,792	23.7	124,990	24.3	12,227	18,704
$9,000 to $11,999	3,768	15.5	103,782	20.2	8,332	14,494
$12,000 plus	2,015	8.3	81,227	15.8	6,040	13,067
Total	24,385	100.0	514,391	100.0	13,761	20,360

[1] Applications processed as of July 4, 1975.

TABLE VIII-A.—TOTAL ASSET LEVEL FOR ALL DEPENDENT APPLICANTS BY TOTAL INCOME (1975-76 [1])

Income range	All asset owners		All applicants		Asset level all asset owners—Mean	Total net assets for all dependent applicants
	Number	Percent	Number	Percent		
0 to $2,999	43,946	6.3	78,821	9.3	$12,157	$6,778
$3,000 to $4,499	38,129	5.5	63,360	7.5	11,888	7,154
$4,500 to $5,999	44,790	6.5	66,386	7.9	12,856	8,674
$6,000 to $8,999	107,126	15.5	138,109	16.4	14,012	10,869
$9,000 to $11,999	117,057	16.9	135,196	16.0	15,605	13,511
$12,000 plus	340,931	49.3	361,433	42.9	21,584	20,360
Total	691,979	100.0	843,305	100.0	17,706	14,526

[1] Applications processed as of July 4, 1975.

TABLE VIII-B.—TOTAL ASSET LEVEL FOR ALL QUALIFIED DEPENDENT APPLICANTS BY TOTAL INCOME (1975-76 [1])

Income range	All eligible asset owners		All eligible applicants		Asset level for all eligible asset owners—Mean	Total net asset for all eligible applicants
	Number	Percent	Number	Percent		
0 to $2,999	43,433	11.6	78,284	15.2	$10,652	$5,910
$3,000 to $4,499	37,135	9.9	62,345	12.1	9,956	5,930
$4,500 to $5,999	42,184	11.3	63,763	12.4	9,855	6,520
$6,000 to $8,999	94,086	25.1	124,990	24.3	9,427	7,096
$9,000 to $11,999	86,182	23.0	103,782	20.2	9,018	7,489
$12,000 plus	71,655	19.1	81,227	15.8	9,380	8,274
Total	374,625	100.0	514,391	100.0	9,568	6,968

[1] Applications processed as of July 4, 1975.

ILLUSTRATION OF PROPOSED CHANGE IN THE FAMILY SIZE OFFSETS, ESTIMATED 10-PERCENT CPI INCREASE

[Family of 4—1 parent working, family income—$10,000, income tax paid—$800, 1 child in college]

	1976-76 offsets	Proposed offsets
Family income	$10,000	$10,000
Less income tax paid	800	800
Effective income	9,200	9,200
Less family size offset	5,200	5,700
Discretionary income	4,000	3,500
Times expectation rate	.20	.20
Total	800	700

ILLUSTRATION OF PROPOSED CHANGE IN THE TREATMENT OF ASSETS ($12,500 ASSET RESERVE)

[Family of 4—1 parent working, family income—$10,000, income tax paid—$800, net assets of family—$15,335, 1 child in college]

	Present method	Proposed
Family income	$10,000	$10,000
Less income tax paid	800	800
Less family size offset	5,200	5,200
Discretionary income	4,000	4,000
Times expectation rate	.20	.20
Expectation from income	800	800
Net assets	15,335	15,335
Less asset reserve	10,000	12,500
Available assets	5,335	2,835
Times expectation rate	.05	.05
Expectation from assets	267	142
Expectation from income and assets	1,067	942

ILLUSTRATION OF PROPOSED CHANGE IN THE TREATMENT OF ASSETS ($12,500, ASSET RESERVE)—Continued

	Present method	Proposed
With estimated 10 percent CPI increase:		
Family income	10,000	10,000
Less tax paid	800	800
Effective income	9,200	9,200
Less family size offset	5,200	5,700
Discretionary income	4,000	3,500
Times expectation rate	.20	.20
Expectation from income	800	700
Net assets	15,335	15,335
Less asset reserve	10,000	12,500
Available assets	5,335	2,835
Times expectation rate	.05	.05
Expectation from assets	267	142
Expectation from income and assets	1,067	842

ILLUSTRATION OF PROPOSED CHANGE IN THE TREATMENT OF ASSETS (FARM AND BUSINESS $25,000 ASSET RESERVE)

[Family of 4—1 parent working, family income—$10,000, income tax paid—$800, net assets of family—$30,000, 1 child in college]

	Present method	Proposed
Family income	10,000	10,000
Less tax paid	800	800
Effective income	9,200	9,200
Less family size offset	5,200	5,200
Discretionary income	4,000	4,000
Times expectation rate	.20	.20
Expectation from income	800	800
Net assets	30,000	30,000
Less asset reserve	10,000	25,000
Available assets	20,000	5,000
Times expectation rate	.05	.05
Expectation from assets	1,000	250
Expectation from income and assets	1,800	1,050
With estimated 10 percent CPI increase:		
Family income	10,000	10,000
Less tax paid	800	800
Effective income	9,200	9,200
Less family size offset	5,200	5,700
Discretionary income	4,000	3,500
Times expectation rate	.20	.20
Expectation from income	800	700
Net assets	30,000	30,000
Less asset reserve	10,000	25,000
Available assets	20,000	5,000
Times expectation rate	.05	.05
Expectation from assets	1,000	250
Expectation from income and assets	1,800	950

SUMMARY OF CALCULATIONS—EXPECTED FAMILY CONTRIBUTION FOR DEPENDENT STUDENTS

Academic year 1975–76: $10,000 income no assets, 4-member family, 1 in college, current treatment

1. Parents' adjusted gross income in 1974	$10,000
(a) Amount earned by father	(10,000)
(b) Amount earned by mother	(0)
2. Total other family income in 1974	0
3. ½ of veterans educational benefits (to be received between July 1, 1975 and June 30, 1976)	0

4. Annual adjusted income (lines 1 plus 2 plus 3)	10,000
5. Parents' Federal income tax paid for 1974	−800
6. Effective family income in 1974	9,200
7. Family size offset	(+5,200)
8. Unusual expenses	(0)
9. Employment expense offset	(0)
10. Total offsets against income (lines 7 plus 8 plus 9)	5,200
11. Discretionary income (line 6 minus line 10)	4,000
12. If line 11 is a positive amount, multiply discretionary income by applicable rate ($1 to $4,999 at 20 percent; $5,000 or more, $1,000 plus 30 percent of amount in excess of $5,000) to obtain standard contribution from income. If line 11 is a negative amount, enter 0	800
13. Determine net assets of parents	0
14. Subtract asset reserve	−10,000
15. Available parental assets (line 13 minus line 14)	0
16. Multiply available parental assets by 0.05	0
17. Enter line 16 as standard contribution from available parental assets. If line 16 is negative, enter 0	0
18. If line 11 is a negative amount, enter that amount as a positive number; otherwise enter 0	0
19. Subtract line 18 from line 17 to obtain contribution from parental assets. If negative number enter 0	0
20. Add lines 12 and 19 to obtain contribution from family income and parental assets	800
21. Multiply line 20 by multiple student rate to determine expected family contribution for each member in postsecondary education	800
22. Determine net assets of student	0
23. Multiply student's net assets by 0.33	0
24. Student eligibility index equals sums of lines 21 and 23	800

Academic year 1976–77: $10,000 income no assets, 4-member family, 1 in college, CPI change, 10 percent increase, estimate

	Proposed
1. Parents' adjusted gross income in 1975	$10,000
(a) Amount earned by father	(10,000)
(b) Amount earned by mother	(0)
2. Total other family income in 1975	0
3. ½ of veterans educational benefits (to be received between July 1, 1976 and June 30, 1977)	0
4. Annual adjusted income (lines 1 plus 2 plus 3)	10,000
5. Parents' Federal income tax paid for 1975	−800
6. Effective family income in 1975	9,200
7. Family size offset	(+5,700)
8. Unusual expenses	(0)
9. Employment expense offset	(0)
10. Total offsets against income (lines 7 plus 8 plus 9)	5,700
11. Discretionary income (line 6 minus line 10)	3,500
12. If line 11 is a positive amount, multiply discretionary income by applicable rate ($1 to $4,999 at 20 percent; $5,000 or more, $1,000 plus 30 percent of amount in excess of $5,000) to obtain standard contribution from income. If line 11 is a negative amount, enter 0	700
13. Determine net assets of parents	0
14. Subtract asset reserve	−12,500
15. Available parental assets (line 13 minus line 14)	0

16. Multiply available parental assets by 0.05	0
17. Enter line 16 as standard contribution from available parental assets. If line 16 is negative, enter 0	0
18. If line 11 is a negative amount, enter that amount as a positive number; otherwise enter 0	0
19. Subtract line 18 from line 17 to obtain contribution from parental assets. If negative number enter 0	0
20. Add lines 12 and 19 to obtain contribution from family income and parental assets	700
21. Multiply line 20 by multiple student rate to determine expected family contribution for each member in postsecondary education	700
22. Determine net assets of student	0
23. Multiply student's net assets by 0.33	0
24. Student eligibility index equals sums of lines 21 and 23	700

Academic year 1975-76: Asset case—$10,000 income, 4 member family, 1 in college, current treatment

1. Parents' adjusted gross income in 1974	$10,000
(a) Amount earned by father	(10,000)
(b) Amount earned by mother	(0)
2. Total other family income in 1974	0
3. ½ of veterans educational benefits (to be received between July 1, 1975 and June 30, 1976)	0
4. Annual adjusted income (lines 1 plus 2 plus 3)	10,000
5. Parents' Federal income tax paid for 1974	−800
6. Effective family income in 1974	9,200
7. Family size offset	(+5,200)
8. Unusual expenses	(0)
9. Employment expense offset	(0)
10. Total offsets against income (lines 7 plus 8 plus 9)	5,200
11. Discretionary income (line 6 minus line 10)	4,000
12. If line 11 is a positive amount, multiply discretionary income by applicable rate ($1 to $4,999 at 20 percent; $5,000 or more, $1,000 plus 30 percent of amount in excess of $5,000) to obtain standard contribution from income. If line 11 is a negative amount, enter 0	800
13. Determine net assets of parents	15,335
14. Subtract asset reserve	−10,000
15. Available parental assets (line 13 minus line 14)	5,335
16. Multiply available parental assets by 0.05	267
17. Enter line 16 as standard contribution from available parental assets. If line 16 is negative, enter 0	267
18. If line 11 is a negative amount, enter that amount as a positive number; otherwise enter 0	0
19. Subtract line 18 from line 17 to obtain contribution from parental assets. If negative number enter 0	267
20. Add lines 12 and 19 to obtain contribution from family income and parental assets	1,067
21. Multiply line 20 by multiple student rate to determine expected family contribution for each member in postsecondary education	1,067
22. Determine net assets of student	0
23. Multiply student's net assets by 0.33	0
24. Student eligibility index equals sums of lines 21 and 23	1,067

Academic year 1976–77: Asset case—$10,000 income, $12,500 asset reserve, 10 percent CPI increase, estimate

	Proposed
1. Parents' adjusted gross income in 1975	$10,000
(a) Amount earned by father	(10,000)
(b) Amount earned by mother	(0)
2. Total other family income in 1975	0
3. ½ of veterans educational benefits (to be received between July 1, 1976 and June 30, 1977	0
4. Annual adjusted income (lines 1 plus 2 plus 3)	10,000
5. Parents' Federal income tax paid for 1975	−800
6. Effective family income in 1975	9,200
7. Family size offset	(+5,700)
8. Unusual expenses	(0)
9. Employment expense offset	(0)
10. Total offsets against income (lines 7 plus 8 plus 9)	5,700
11. Discretionary income (line 6 minus line 10)	3,500
12. If line 11 is a positive amount, multiply discretionary income by applicable rate ($1 to $4,999 at 20 percent; $5,000 or more, $1,000 plus 30 percent of amount in excess of $5,000) to obtain standard contribution from income. If line 11 is a negative amount, enter 0	700
13. Determine net assets of parents	15,335
14. Subtract asset reserve	−12,500
15. Available parental assets (line 13 minus line 14)	2,835
16. Multiply available parental assets by 0.05	142
17. Enter line 16 as standard contribution from available parental assets. If line 16 is negative, enter 0	142
18. If line 11 is a negative amount, enter that amount as a positive number; otherwise enter 0	0
19. Subtract line 18 from line 17 to obtain contribution from parental assets. If negative number enter 0	142
20. Add lines 12 and 19 to obtain contribution from family income and parental assets	842
21. Multiply line 20 by multiple student rate to determine expected family contribution for each member in postsecondary education	842
22. Determine net assets of student	0
23. Multiply student's net assets by 0.33	0
24. Student eligibility index equals sums of lines 21 and 23	842

Academic year 1975–76: Assets case—$10,000 income, 4 member family, 1 in college (farm and business) current treatment

1. Parents' adjusted gross income in 1974	$10,000
(a) Amount earned by father	(10,000)
(b) Amount earned by mother	(0)
2. Total other family income in 1974	0
3. ½ of veterans educational benefits (to be received between July 1, 1975 and June 30, 1976)	0
4. Annual adjusted income (lines 1+2+3)	10,000
5. Parents' Federal income tax paid for 1974	800
6. Effective family income in 1974	9,200
7. Family size offset	(+5,200)
8. Unusual expenses	(0)
9. Employment expense offset	(0)

10. Total offsets against income (lines 7 plus 8 plus 9)	5,200
11. Discretionary income (line 6 minus line 10)	4,000
12. If line 11 is a positive amount, multiply discretionary income by applicable rate ($1 to $4,999 at 20 percent; $5,000 or more, $1,000 plus 30 percent of amount in excess of $5,000) to obtain standard contribution from income. If line 11 is a negative amount, enter 0	800
13. Determine net assets of parents	30,000
14. Subtract asset reserve	−10,000
15. Available parental assets (line 13 minus line 14)	20,000
16. Multiply available parental assets by 0.05	1,000
17. Enter line 16 as standard contribution from available parental assets. If line 16 is negative, enter 0	1,000
18. If line 11 is a negative amount, enter that amount as a positive number; otherwise enter 0	0
19. Subtract line 18 from line 17 to obtain contribution from parental assets. If negative number enter 0	1,000
20. Add lines 12 and 19 to obtain contribution from family income and parental assets	1,800
21. Multiply line 20 by a multiple student rate to determine expected family contribution for each member in postsecondary education	1,800
22. Determine net assets of student	0
23. Multiply student's net assets by 0.33	0
24. Student eligibility index equals sums of lines 21 and 23	1,800

Academic year 1976–77: Asset case—$10,000 income, 4 member family, 1 in college, $25,000 asset reserve, 10 percent CPI increase, estimate

	Proposed
1. Parent's adjusted gross income in 1975	$10,000
(a) Amount earned by father	(10,000)
(b) Amount earned by mother	(0)
2. Total other family income in 1975	0
3. ½ of veterans educational benefits (to be received between July 1, 1976 and June 30, 1977)	0
4. Annual adjusted income (lines 1 plus 2 plus 3)	10,000
5. Parents' Federal income tax paid for 1975	−800
6. Effective family income in 1975	9,200
7. Family size offset	(+5,700)
8. Unusual expenses	(0)
9. Employment expense offset	(0)
10. Total offsets against income (lines 7 plus 8 plus 9)	5,700
11. Discretionary income (line 6 minus line 10)	3,500
12. If line 11 is a positive amount, multiply discretionary income by applicable rate ($1 to $4,999 at 20 percent; $5,000 or more, $1,000 plus 30 percent of amount in excess of $5,000) to obtain standard contribution from income. If line 11 is a negative amount, enter 0	700
13. Determine net assets of parents	30,000
14. Subtract asset reserve	−$25,000
15. Available parental assets (line 13 minus line 14)	5,000
16. Multiply available parental assets by 0.05	250
17. Enter line 16 as standard contribution from available parental assets. If line 16 is negative, enter 0	250
18. If line 11 is a negative amount, enter that amount as a positive number; otherwise enter 0	0
19. Subtract line 18 from line 17 to obtain contribution from parental assets. If negative number enter 0	250

20. Add lines 12 and 19 to obtain contribution from family income and parental assets	950
21. Multiply line 20 by multiple student rate to determine expected family contribution for each member in postsecondary education	950
22. Determine net assets of student	0
23. Multiply student's net assets by 0.33	0
24. Student eligibility index equals sums of lines 21 and 23	950

Mr. SIMON. Mr. Quie.

Mr. QUIE. To what extent do you have any knowledge of the amount of money that BEOG recipients are receiving from other sources?

I am going at the whole question of the one-half cost, one-half need. BEOG recipients are receiving SEOG work-study grants from States, private grants in colleges, and so forth.

Mr. PHILLIPS. Mr. Quie, our best possible source is going to be the fiscal operations reports that were submitted in September, covering the immediate prior academic year in which they try to list out all of the moneys that go to all of the students under the different programs, and we are trying this year to process that information as quickly as possible so that we can be responsive to requests such as yours.

Those are massive reports. They come in from 4,000 institutions and they have to be edit-checked and sometimes sent back to the institution for repair. But we are hoping, as we go along the track here, we will be able to supply some data to you.

I might just say this generally——

Mr. SPEARMAN. If I may, there was a correction in there. There are almost 10,000 institutions. You have about 4,000 participants in campus-based programs and you expand that universe to close to 6,000 when you add the BEOG's universe and then another 4,000 institutions when you add the banks. Thus, when you try to collate those data sources with the State resources data and then extract an unduplicated number, in terms of the amount, you can see that it becomes an extremely difficult job to say how much students are receiving from other kinds of resources rather than talking in terms of an aggregate amount of over $2 billion or $4 billion.

Mr. PHILLIPS. The other possible source is, on October 17, the applications will be coming in from institutions for the so-called "tripartite" application for SEOG, work-study and NDSL, and in the application they are supposed to list out for the current year (estimated) and the following year (projected) the amount of money expected to go to all students that have need on a campus.

Mr. QUIE. And the source?

Mr. PHILLIPS. Yes, it is supposed to be broken out by source—BEOG, and guaranteed loans, and so on. What we hope to do, as those applications come in, is to analyze them and provide, I hope, State-by-State summaries of what the application materials show.

As a general comment, I think the basic grant recipient is increasingly also getting access to State grant and scholarship funds. The State programs have expanded rather dramatically over the last several years. We are estimating this year over $500 million of State scholarship and grant moneys being available.

Many States are beginning to adopt a policy that says they won't look at an applicant for a State grant until they have a certification

that they have applied for a basic grant as well, and I think what is beginning to emerge here as a general pattern, is that these State scholarship and grant programs are beginning to be built on top of the basic grant awards.

A number of States have, in effect, a kind of State-level entitlement that is added to the basic grant. That is one of the reasons we are so anxious to pursue some of the procedures that we outlined in the testimony to assure coordinated and integrated delivery of Federal and State money under BEOG and State grant programs.

Mr. O'HARA. Would you have pulled enough of this information out by the time we mark up to have a better idea?

Mr. PHILLIPS. I would really have trouble knowing, first, how fast we can get the information summarized. Frankly, I don't know your markup schedule.

Mr. O'HARA. We don't, either.

Mr. PHILLIPS. I see.

Mr. SPEARMAN. It would be difficult to answer that, then.

Mr. O'HARA. Our other witnesses have come from out of town and I don't know whether they can get together again.

Mr. SIMON. The chairman will observe a deference to your judgment.

So I will therefore declare this session of the subcommittee today adjourned.

Thank you.

[Whereupon, at 11:15 a.m., the subcommittee recessed.]

[The following testimony was submitted for the record:]

PREPARED STATEMENT BY NEIL E. BOLYARD, DIRECTOR OF STATE AND FEDERAL RELATIONS, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. Chairman and Members of the Subcommittee, I am pleased with the opportunity to appear before the subcommittee this morning to present the views of the National Association of Student Financial Aid Administrators concerning the Family Contribution Schedule for the Basic Grants Program for 1976–77. For the record, I am Neil Bolyard, Director of Financial Aid at West Virginia University in Morgantown, and I have recently assumed the responsibilities of Director of State and Federal Relations for NASFAA. With me this morning is Walter Schmucker, Director of Financial Aid at Goshen College, Goshen, Indiana, who has been with the NASFAA Central Office since July 1 as an intern. Mr. Schmucker will be returning to Goshen next January 1.

Before discussing the Family Contribution Schedules I would like to take a moment to acknowledge the contributions on behalf of students past and future, of two gentlemen your committee came to know quite well over the past several years, Mr. Allan Purdy, my immediate predecessor, from the University of Missouri at Columbia, and Mr. Richard Tombaugh, former Executive Secretary of NASFAA. Although both have left the positions which they were in during the development of a working relationship with this committee, they each continue in the Financial Aids arena, and each sends warm regards.

NASFAA's concern about the Family Contribution Schedule is a well documented record. There has been testimony presented on several occasions expressing our belief that the Schedule was providing an inappropriate representation of the ability of families to contribute to post-secondary education, and it has been our contention that it was being used to "ration" funds the administration was willing to make available for the program by restricting the number of eligible students.

In defending the Family Contribution Schedule in the past, representatives of the Office of Education have stated that it is extremely difficult to measure on a systematic basis a family's ability to pay for post-secondary education. NASFAA, and I am reasonably certain that several other agencies and associations, would concur with that statement. If it had been a relatively easy task, I am confident that variances in Parental Contributions tables, provided by various services in past years, would not have been so divergent and the efforts

initiated by the Office of Education five or six years ago to bring the tables together would not have been necessary. Approximately five years ago I participated in a series of meetings sponsored by the Office of Education which had the single major purpose of bringing together the expected contribution tables of the then two major services providing need analysis.

The Keppel Task Force, which included the Office of Education as a participant, arrived at a uniform methodology for needs analysis during their deliberations which ended last spring. The major services have adopted the Uniform Methodology for the current processing year and now it is the Office of Education that promotes the continuation of the confusion and inequity resulting from different methods of arriving at the ability for families to support post-secondary education.

Since NASFAA has maintained over the years that the Family Contribution Schedule has been too restrictive in its determination of eligibility, it is obvious that adjustments proposed by USOE to increase family size offsets used to determine the amount of discretionary income available to the family for educational purposes and the adjustment in the asset reserve are supported by the Association. However, in the matter of family size offsets, we maintain our concern with the proposed continued utilization of poverty level Social Security maintenance figures for the Basic Grant Program when BLS low-income standard maintenance allowances are used for determining need for other federal student aid programs. For example, a family of four (4) applying for the campus-based student aid programs will be provided a family size offset of approximately $7,000 to maintain themselves prior to any expectation for college cost. In the proposed Basic Grant family size offsets, an allowance of only $5,700 would be provided. How does one explain to a family that they can live on $1,300 less if they are applying for a Basic Grant than if they are applying for other forms of student assistance? It seems to us that the family size offsets being proposed are simply inadequate to reflect a reasonable cost of living today, and are consequently expecting undue sacrifice on the part of the family in order to provide the expectations being derived. We would recommend that the Basic Grant Program utilize the same BLS low-income standards to be employed by the need analysis system approved for SEOG, NDSL, and CWSP, rather than the Social Security poverty level figures being proposed. We are not disagreeing with the percentage of adjustment they are proposing for cost-of-living inflation, but rather the base to which that adjustment is being applied. It was far too low in the past, and applying a reasonable adjustment percentage to an unreasonable base continues to yield an unreasonable family offset.

We applaud USOE's proposal to make adjustments in the asset reserves for families deriving their income from salaries and wages, and particularly for the recognition that the assets of a farm or business family are really different from those who do not depend upon their property for income generation. Historically, the systems used for the determination of financial need have accorded special treatment to farm and business families in recognition of the necessity to protect a greater portion of those assets if their capacity to generate income is to be maintained. While the old adage "a dollar of assets is a dollar of assets" may be appropriate at some future point in time when all assets might be theoretically liquidated, it does not hold during the period when income is being derived from the utilization of those assets in a farm or business. Consequently, to compare on an equal basis the asset holdings of a farmer or small businessman with those of a wage earner has been, and continues to be, inequitable. For the Basic Grant Program to recognize this difference in the Family Contribution Schedule is a major step forward.

One might debate whether or not the asset reserves being proposed, i.e. $12,500 and $25,000, are appropriate. Establishing what those "protected" levels should be is highly subjective and depends in large part upon what purposes one is willing to permit families to accumulate assets. NASFAA has in previous testimony suggested that the level for wage and salary families would be at least $15,000, but that is only our estimate of reasonableness as opposed to USOE's estimate of reasonableness.

One factor that has historically been considered in evaluating the appropriate asset reserve in the need analysis process has been the age of the primary wage earner. Economic theory would suggest that the older the primary wage earner, the more he or she should be allowed to reserve for retirement purposes because of the lesser time available to accumulate assets. The Basic Grant approach, apparently for simplicity purposes, has utilized a constant asset reserve for the

entire applicant population. We feel that the variable approach is more responsive to the financial circumstances of the applicant, but understand USOE's desire to utilize a less complicated approach. We would continue to suggest that a $15,000 asset reserve for wage and salaried families is a reasonable figure for this program.

The adjustments to the family size offset for the independent student have many of the same problems expressed earlier. The allowances being provided simply do not seem adequate to reflect the expenses to be incurred in providing basic family maintenance. As a result, an undue expectation is made from the student and his or her family for educational purposes. Here again, we would propose that the BLS low-income standard is a more appropriate family size offset.

We would like to take this opportunity to urge the Office of Education to give full consideration to the adoption of the "Consensus Model" or the "Uniform Methodology" developed by the Keppel Task Force for the purpose of estimating family ability to pay for postsecondary education. We would suggest, as we have done so often in the past, that there are better ways to direct the Basic Grant Program to the neediest students than to artificially control the eligibility for the program through an unreasonably demanding Family Contribution Schedule. This Association has continually asserted that it is better to recognize a student's financial needs for what they are, and then provide what we can with the resources available, than it is to delude ourselves into thinking that the needs of students are being met when such is not the case. The differences in expectations of families under the Basic Grant Program and other programs of student assistance unnecessarily complicate the entire process of delivering assistance to needy students. Additionally, to maintain two parallel procedures, one for determining eligibility for Basic Grants, and another for estimating need for other assistance programs, is unnecessary and inefficient, not to mention confusing to the student and his or her family. We would urge the Office of Education, and the Congress if necessary, to take steps to implement the recommendations of the Keppel Task Force relative to the simplification of the process through the utilization of the Consensus Model for all calculations of family ability to pay for postsecondary education, and to devise other methods (if necessary) to "target" assistance to special categories of needy students.

Last month a representative of the Office of Education stated in a public forum that OE strongly endorsed the Student Common Data Form developed by the Keppel Task Force but had reservations in employing the form as a Basic Grant application for several reasons. One reason was that the "need analysis" data for the Basic Grants Family Contribution Schedule did not require all of the items included in the Uniform Methodology calculations; and, under the provisions of the Privacy Act the information could not be collected by the Federal government and disseminated to other non-Federal agencies. This problem could be resolved by adopting the Uniform Methodology for determining need for Basic Grants and utilizing other procedures for targeting the funds. The Federal government would then be using the information requested and avoid any conflict with the provisions of the Privacy Act.

A second point was the number of items on the Student Common Data Form would complicate the Basic Grants application since it asks for more information than is necessary for processing the Basic Grant application.

To this point the Association would offer the counter argument that the Office of Education is missing an exceptionally fine opportunity to become a leader in the adoption of the Student Common Data Form on a nationwide basis. Since the Basic Grants program is promoted as the foundation of student aid, what better place could be found to gather all the required information for student assistance for Federal, State and Institutional aid programs than with the Basic Grant application? Admittedly the Common Data Form requests some information not included on the present Basic Grant application. However, rather than adding complexity, the use of the Common Data Form for Basic Grants, as recommended by the Keppel Task Force, would reduce the duplication of forms and therefore simplify the overall financial aid process.

NASFAA would like to point out that should the adoption and implementation of any of the above recommendations adversely influence the processing time-

table for Basic Grants for the 1976–77 academic year, that those specific recommendations not be undertaken at this time. The Association has long been an advocate of moving the processing to an earlier timetable so the program can truly become the "foundation to build on" in student assistance.

At this time I will thank you for the invitation to appear here today. I would be happy to respond to questions you may have.

[Material submitted for inclusion in the record follows:]

COLLEGE ENTRANCE EXAMINATION BOARD,
New York, N.Y., August 29, 1975.

DR. LEONARD H. O. SPEARMAN,
Acting Associate Commissioner for Student Assistance,
U.S. Office of Education, Washington, D.C.

DEAR LEONARD: On behalf of the College Scholarship Service Council and Assembly membership, I am writing to express both disappointment and concern about the August 1 and 14 *Federal Register* notices of proposed rule making regarding the regulations governing approval of need analysis systems and the family contribution schedule for the Basic Grant program.

These proposed rules serve to perpetuate and actually to encourage inequities in the awarding of federal aid funds to students, and they represent a failure on the part of the Office of Education to capitalize on the major consensus achieved by the National Task Force on Student Aid Problems (Keppel Task Force) to simplify and improve the student aid process through the use of a single national standard of need analysis. This "Consensus Model" of need analysis was accomplished, as you know, with the best economic data and advice available and through extraordinary cooperation within a full "partnership" framework. Every major educational association involved has urged the Commissioner to support the objectives of improved financial aid administration by adopting the Consensus Model as the single standard for use in all programs of financial aid.

Rather than correcting a major problem, the proposed rules have the potential of defeating these objectives and of compounding what presently is an intolerable situation. Although the "conceptual framework" of the proposed August 1 rule ". . . would permit the approval of the 'Consensus Model' recommended by the 'Keppel Task Force' and adopted by the Council of the College Scholarship Service at its meeting on June 10, 1975 . . .," the Basic Grant and income tax "methods" of need analysis are exempted from the regulatory requirements and the Commissioner indicates that "other systems" may be approved without specific features of the Consensus Model. When compared with the parental contribution levels in the system prescribed by the proposed regulations, the two exempted methods produce substantial variances and, thus, inequities in treatment of students from similar financial circumstances.

If "other systems" do not include the five integral features of the Consensus Model which the Commissioner does not endorse, further inequities will be caused by many students and families being considered more favorably than others.

A related area of concern is that the new proposed regulations make no reference to the need of working with "other concerned parties" in the determination of future modifications in the benchmark figures, as did the regulations established May 21, 1975, and the "explanation of proposed rule" indicates ". . . that adjustments will be made as necessary . . ." instead of updating the figures each year. We believe that changes in the system should be made annually as pertinent empirical data become available but, unless the language of the proposed rule is clarified, it suggests the potential of revised figures being required by the Commissioner in the middle of the student aid awards process.

Again, we would urge the Commissioner to reconsider the proposed regulations, to join the financial aid and educational community in endorsing the Consensus Model as the single national standard of need analysis for use with all student aid programs, and to assure all concerned parties that an open and full "partnership" concept will prevail as future need analysis modifications become necessary.

Sincerely,

JAMES E. NELSON,
Vice President, Student Assistance Services.

Enclosure: CSS Council resolution of June 10, 1975.

COLLEGE ENTRANCE EXAMINATION BOARD,
COLLEGE SCHOLARSHIP SERVICE,
New York, N.Y.

COLLEGE SCHOLARSHIP SERVICE COUNCIL

Summary of the Actions Taken at the Meeting of June 10, 1975

The following action item was considered by the CSS Council:

Report of the Committee on Need Assessment Procedures. Mrs. Dortha Morrison, Chairman, presented the report of the Committee on Need Assessment Procedures on the Uniform Methodology. After considering the report, the Council passed the following resolution unanimously on a motion made and seconded:

Resolved: That the CSS Council, upon the recommendation of CNAP, endorses the methodology of need analysis as outlined in the paper entitled "A Uniform Methodology for Measuring Parental Ability to Pay: The Proposed National Standards for 1975–76," dated June 1975, which contains the modifications resulting from the review conducted by the panel of economists convened under the auspices of the National Task Force on Student Aid Problems; that the methodology be used by the College Scholarship Service during the processing year 1975–76; and

That the Council recommends to the United States Commissioner of Education that this uniform methodology be adopted under his existing authority and responsibility as the "benchmark" standard by which all systems of need analysis will be evaluated and approved beginning with the 1975–76 processing year.

Action Taken at CSS Committee on Need Assessment Procedures Meeting of August 21, 1975.

Resolved: That the Committee on Need Assessment Procedures urges that the U.S. Office of Education use the uniform methodology for the Basic Educational Opportunity Grants Program.

Passed Unanimously.

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS,
Washington, D.C., September 2, 1975.

DR. LEONARD H. O. SPEARMAN,
Acting Associate Commissioner for Student Assistance,
Washington, D.C.

DEAR DR. SPEARMAN: I am writing in response to the proposed rules for revision of the provisions and standards for approval of private need analysis systems, as published in the *Federal Register* of August 1, 1975. This response reflects the official position of the National Association of Student Financial Aid Administrators, as developed by our Commission on State and Federal Relations.

First, I would like to express our concern that this proposed rule was apparently not disseminated broadly to the financial aid community, as we had been told it would. NASFAA cancelled plants to reprint the *Federal Register* publication for its membership upon learning that USOE intended to distribute reprints to all participating institutions. However, as far as we can determine, that distribution has never been made. I am sure that you will agree that a matter of this importance should be disseminated as broadly as possible to solicit responses from all sectors. Inasmuch as the *Federal Register* is not readily available to very many aid administrators, a direct mailing to them is of great importance, particularly with a thirty-day response deadline. We do not know what caused USOE's change of plans, but we would seek to reinforce the importance of a direct distribution to all aid administrators in all future publications of this type. At the very least, please advise us of your plans not to do so, so that we may better serve our members.

NASFAA is encouraged to find the Commissioner's agreement to the "basic structural features" as developed by the College Scholarship Service and the American College Testing Program over the years and embodied in the Consensus Model adopted by the National Task Force on Student Aid Problems during the past year. We believe the Consensus Model represents a huge step forward toward a more consistent and uniform determination of student need. We are concerned, however, about the unwillingness of the Commissioner to accept or endorse all elements of the Consensus Model, which have resulted from a very comprehensive analysis of the rationale of need determination by the leading experts in the field. While none of the contributors to the Consensus Model would argue that any of these elements reflect the ultimate truth, these methods of treatment are

probably the most appropriate yet devised by anyone, and should be used as the standard until a better method is developed.

NASFAA certainly plans to continue its involvement in efforts to improve the Consensus Model as we get more data and learn from our experiences with this revised approach to need assessment. We hope that USOE will also continue to participate in these efforts.

We would next like to comment on the continued inclusion of the BEOG method and the Income Tax "System" as approved systems for dependent students. While considerable improvement has been made or proposed in the BEOG method since the beginning of the program, it still leaves much to be desired as a means of assessing a realistic family ability to pay for postsecondary education. The BEOG approach may be adequate for determining eligibility for a grant program intended to focus upon the most needy student, whereby a high level of preciseness is not essential. However, the BEOG method lacks the sensitivity which should be present in estimating the need for SEOG, SW–SP, and NDSL. The standing approval of the BEOG method is additionally inappropriate inasmuch as the results of its utilization do not meet the standards which the Commissioner has proposed to establish for private systems. If the benchmarks to be used to evaluate the private systems are felt to be reasonable, we question the approval of the more demanding family expectations resulting from the BEOG method. Students applying to schools using that method will be discriminated against in comparison to the large bulk of applicants to be evaluated by private systems which meet the benchmark standards. If greater national consistency is a desirable objective, and we believe that it is, the approval of the BEOG method works against the achievement of that goal.

Much the same argument can be made against the approval of the Income Tax "System." It is probably even less reflective of family ability to pay, inasmuch as the federal income tax is regressive in many respects, and frequently favors those families with large deductions for expenses not normally recognized for need analysis purposes. Yet in other respects the Income Tax "System" fails to recognize financial circumstances which do affect the family's ability to pay and which are recognized elements of the conceptual framework with which the Commissioner agrees. As with the BEOG method, the Income Tax "System" should not be provided special dispensation because it is more demanding of most families than would a private system meeting the proposed standards.

However, if the Commissioner is to continue the approval of the Income Tax "System," we would urge that the final regulations be changed to make the treatment of assets consistent with that being proposed for the BEOG method, i.e., 5 percent of net assets in excess of $12,500 ($25,000 in the case of business and farm families). This is far more reasonable and reduces the inconsistency between the results of the BEOG method, the Income Tax "System," and the approved private systems.

One last observation must be made in closing. The timely approval of private systems submitted in accord with these proposed rules is extremely important to the smooth processing of student applications. Although it is impossible to provide such approval this year by September 1, as called for in the regulations now in effect, we urge the Commissioner to promulgate his approvals as quickly thereafter as feasible, in order that the private systems can begin processing as close to their regular timetables as possible.

Thank you for the opportunity to comment on these proposed rules.

Sincerely,

ROBERT B. CLARK,
President.

AMERICAN COUNCIL ON EDUCATION,
Washington, D.C., September 2, 1975.

Dr. LEONARD H. O. SPEARMAN,
Acting Associate Commissioner for Student Assistance, U.S. Office of Education, Washington, D.C.

Mr. PETER K. U. VOIGT,
Director, Division of Basic and State Student Grants, U.S. Office of Education, Washington, D.C.

DEAR DR. SPEARMAN AND MR. VOIGT: The purpose of this letter is to comment on two proposed regulations recently published in the *Federal Register:* the

amendments to the need analysis regulations for Supplemental Educational Opportunity Grants, College Work-Study, and National Direct Student Loans (August 1), and the amendments to the regulations for determining expected family contributions under the Basic Educational Opportunity Grant Program (August 14).

We are seriously concerned over the lack of progress which these proposed revisions reflect toward acceptance within the Department of Health, Education and Welfare of common need analysis criteria and data requirements for all Federal student aid programs, as well as state and private programs, as recommended by the National Task Force on Student Aid Problems in its final report.

The Task Force, headed by Francis Keppel, worked assiduously from May 1974 to July 1975 to achieve agreement among the two major private needs analysis systems and the Federal Basic Educational Opportunity Grant system on how to assess family income and assets for determining equitable family contributions for higher educational expenses. U.S. Office of Education members worked alongside other participants in this effort.

As a result of the Task Force's work, agreement was achieved between the two major private needs analysis systems on criteria for determing equitable family contributions, as well as on the use of common data forms to gain information from students and parents. With agreement by the Office of Education, it would thus be possible to achieve the long-sought goals of a single consensus model for needs analysis which would be accepted by the Federal government as well as the private systems, and a unified form for all aid applicants.

However, the substantial work of the Task Force seems to have been ignored by the Office of Education in both its August 1 and August 14 *Federal Register* announcements. In his commentary on the proposed needs analysis regulations, the Commissioner notes that the rule would permit the approval of the "Consensus Model" recommended by the Keppel Task Force, as well as the approval of closely similar systems for determining students' awards under SEOGs, CWS, and NDSL. His proposal for the BEOG family contribution schedule makes no reference to the Consensus Model, but includes provisions on family size offsets and reserves which reflect a continuation of the separate needs analysis system for BEOGs.

Thus despite its participation in the Task Force, the Office of Education seems to be proceeding in the opposite direction from the Task Force recommendations. Instead of encouraging acceptance of a single Consensus Model, it is continuing to encourage several: the Federal BEOG system, the Income Tax system, and the Consensus Model or systems producing similar results for SEOGs, CWS, and NDSL. Further, the Commissioner cautions in his August 1 notice that acceptance of the Consensus Model is limited and not to be construed as acceptance of all the features of the Model, citing five specific issues which require "additional research and analysis." We question what further work is needed, since extensive analysis was devoted to these issues during the year-long studies of the Task Force, resulting in agreement on these points between the services.

On behalf of the education groups participating in the Task Force, we must express regret over the failure to reach complete consensus between the Federal and the private systems, thus leaving parents, students and institutional officials to cope with the burden of separate systems. It is doubly regrettable that the Office of Education has been unable to capitalize on the remarkable consensus already achieved by the Task Force, and to respond to the evident desires of the recipients of student aid and the Congress that common, simplified criteria and data requirements be established.

We urge the Office of Education of take this opportunity for leadership, and revise these regulations to encourage full acceptance of the Consensus Model for the campus-based programs and its adoption for BEOGs. Lacking such leadership, we will look to Congress to legislatively mandate the Consensus Model and adoption of a common student data form for BEOGs.

These comments are presented on behalf of the American Council on Education, the American Association of Community and Junior Colleges, the American Association of State Colleges and Universities, the Association of American Colleges, the Association of American Universities, and the National Association of State Universities and Land-Grant Colleges.

Sincererly,

CHARLES B. SAUNDERS, Jr.,
Director, Office of Governmental Relations.

THE UNIVERSITY OF THE STATE OF NEW YORK,
OFFICE OF THE PRESIDENT OF THE UNIVERSITY
AND COMMISSIONER OF EDUCATION,
Albany, N.Y., September 12, 1975.

Mr. PETER K. U. VOIGT,
Director, Division of Basic and State Student Grants, U.S. Office of Education, Washington, D.C.

DEAR MR. VOIGT: I would like to take the opportunity to comment on the proposed rules for the Basic Educational Opportunity Grant Program regarding the determination of expected family contribution for the 1976–77 academic year. I must restate some deep reservations regarding the overall complexity of the BEOG application and the method of determining the expected family contribution. I feel that the changes that are necessary go far beyond what has been proposed.

Last year I wrote to you about the approach used in determining the amounts that students receive through the New York State Tuition Assistance Program. For almost all applicants, the only financial information that must be provided can be taken directly from their parents' New York State income tax return.

The approach is simple and we have avoided some of the problems encountered by the Basic Grant Program. The complexity of the BEOG application is probably the major reason for the low utilization rate of the program. Under the N.Y. State program it is easy to determine the amount of the award at the time application is made, and we simply do not have a large number of eligible students who do not apply for awards. It is so easy to determine one's eligibility under the State program that only 2% of over 250,000 applications come from students who cannot receive an award. The large number of BEOG applications that come from people who are ineligible for awards represents an inconvenience to the students as well as an excessive processing cost to the taxpayer.

While I am pleased to note that an increase in the family size offset and asset reserve is being proposed, I would like to recommend more basic changes in the method of determining the expected family contribution.

The application process should be simplified along the lines of the approach used in New York State. BEOG applicants and their families should be able to refer to their federal income tax forms for all or most of the financial information necessary. The asset test should be eliminated because of it's complexity, and the possible inequities it causes because of intentional and unintentional misreporting. It is difficult to estimate the value of a home purchased 5 to 15 years earlier. As the asset test is not verifiable, the system encourages misreporting by applicants. Last year we conducted a survey of State grant recipients, and among 120 BEOG recipients included in the sample, we found that 10% should have been ineligible for BEOG grants because of their asset holdings. Responses to our questionnaire were anonymous.

I also feel that the asset test is unfair for other reasons. The bulk of the assets held by BEOG applicants are in the form of home ownership. Home ownership or renting depends more upon whether a family lives in an urban or rural area, and is not directly relevant to family financial strength. A home is not an income producing asset and cannot be readily used as a means of financing college. I also feel that a good deal of the other assets held by low income families represents savings toward retirement or proceeds from life insurance policies where the head of the household had died.

I am pleased to have this opportunity to comment on the proposed family contribution schedules, and I hope that progress will be made in making basic changes in the application process.

Faithfully yours,

EWALD B. NYQUIST.

NATIONAL STUDENT LOBBY,
Washington, D.C., September 14, 1975.

SENATE SUBCOMMITTEE ON EDUCATION,
House Subcommittee on Postsecondary Education, U.S. Congress, Washington, D.C.

DEAR MEMBERS OF CONGRESS: Enclosed you will find the comments I have prepared for Mr. Peter Voight, Director of the Division of Basic and State Student Grants, Office of Education, concerning the Family Contribution Schedule for 1976–77.

The National Student Lobby (NSL) is making a sincere effort to work with the grants division in reaching a compatable agreement to an improved need analysis system. I have outlined in the letter the problems students and parents are facing with the present needs analysis system. I have also suggested some alternatives to some of the provisions that NSL finds disadvantageous to students.

NSL hopes this will be of assistance to members of the House Post-Secondary Education and Senate Education Subcommittees in the current debate on the Family Contribution Schedule.

Sincerely yours,

JAY HENDERSON,
Legislative Director.

Enclosure.

WASHINGTON, D.C., *September 12, 1975.*

Mr. PETER K. U. VOIGHT,
Director, Division of Basic and State Student Grants, U.S. Office of Education, Washington, D.C.

In the matter of Part 190 of Chapter I of Title 45 of the Code of Federal Regulations, proposed rule making on the Basic Educational Opportunity Grant Program, Expected Family Contribution Schedule for the 1976-77 Academic Year.

Comments of Jay Henderson, Legislative Director, National Student Lobby Suite 515, 2000 P Street NW., Washington, D.C., 20036.

The following comments are filed in response to notice of proposed rule making on the above cited matter:

The National Student Lobby (NSL) welcomes this opportunity to comment upon the Basic Grants Family Contribution Schedule for next year.

Before commenting on the recently published proposed amendments to the rules which were published on April 4, 1975 (40 FR 15248), a general comment about the overall approach to the analysis of student need as contained in the contribution schedule is necessary.

Even to the unaccustomed eye, we believe, it is apparent that the current needs analysis system is in great difficulty. For example, in calculating *expected* parental contribution the system frequently arrives at a figure far in excess of the figure arrived at when the parents of the student calculate their own *actual* parental contribution. In Illinois recently, a study was published which revealed that actual parental contribution varies widely from expected parental contribution and, in fact, the variance is often in excess of 65%. In other words, the amount the parents said they could pay averaged to be only 34% of what the government said they could "reasonably be expected to pay." Obviously, the student gets caught in the middle by having to make up the difference.

NSL believes this represents a clear example of the protestation that our "needs analysis" system is actually a system of "eligibility analysis" in which the student is forced to expand or contract to accomodate the system, simply because (as almost anyone will admit) there is not enough money to finance actual student need. Our principal concern, therefore, is not what must be done to the proposed rules to make them accurate enough to predict student eligibility, but what should be done to the proposed rules to make them capable of calculating student need, not only individual need but also aggregate student need. The responsibility for meeting student need would then be up to the President and the Appropriations Committees each year during the budget debates.

It should be the function of the Family Contribution Schedule and the BEOG needs analysis system to differentiate those students who are in need of financial assistance from those students who are judged to be not in need of aid in the form of a Basic Grant.

Today it does not. It attempts to differentiate those students who have greater need from those who have lesser need. Those of greater need are thereby eligible for a BEOG, while those of lesser need are ineligible even though they still are, in every sense of the word, "needy." As a result, with the cost of education rising faster than the cost of living, the students from moderate income families are more and more frequently ineligible for a BEOG of any size, while the students from economically disadvantaged families are hard pressed to meet their own expected contribution which they find too high.

Under the current system, no one's need is actually met. Only "eligibility" is satisfied. But, because all the numbers add up in the central office, the general impression is received that student need has been met.

We would propose that all parties concerned recognize this fact and proceed to construct a needs analysis system which truly analyzes need and a separate eligibility analysis system which can determine how large a slice of the pie each "needy"student gets of the limited resources we have to offer.

At the close of each fiscal year, we should be able to calculate:

1. The total number of students enrolled in postsecondary education,
2. The total number of students in need of financial assistance,
3. The total amount of aid necessary to meet this need,
4. The total amount of aid available to meet this need,
5. The total number of students in need who got aid,
6. The total number of students in need who did not get aid, and
7. The student aid gap created by insufficient funds.

Proceeding on the premise that the BEOG Family Contribution Schedule is actually an eligibility analysis system, we would now like to turn to our recommendations for refinement of the system as proposed in the Federal Registers of April 4 and August 14, 1975.

Our discussion is limited to three areas: the definition of an independent student; the treatment of asset reserves; and the provisions for extraordinary circumstances and the use of current year data.

A. The definition of an Independent Student should not include a two week at home residence restriction and should allow for a parental contribution of up to $1,200.

1. Remove the two week restriction on residence with parents at home.

If there is any provision in the BEOG Family Contribution Schedule which students find offensive, it is the section which denies them status as independent students if they have lived or will live in the home of their parents for more than 2 consecutive weeks either during the year in which aid is received or during the year prior to which aid is requested.

First, this provision is unenforceable. Students are well aware that this provision threatens to reduce the size of their financial award by several hundred dollars and, as a result, they are prepared to avoid this pitfall by denying home residence for the specified amount of time if it is at all possible.

Second, this provision encourages students to break the law. Only the most naive student will admit to spending two weeks at Christmas at home with the family if that admission will cut heavily into the BEOG award.

Third, this restriction discriminates against students from urban areas. These students often find it convenient and economical to live at home. It should be Federal policy to encourage college students to seek every way possible to both save money and to live at home.

Fourth, this regulation encourages families to break up in order to become eligible for a form of student aid. It is parallel to the infamous provision in the welfare system of the 1960's which provided incentive for the father of a family to move out of the house and thereby become eligible for welfare; at that time, families with both mother and father living at home were ineligible. This restriction was eventually removed just as the Courts were striking it down.

Fifth, this regulation is of dubious constitutionality and, if pursued in the Courts, would be disallowed.

This provision is but another illustration of the charge that the student must bend to accommodate the system. We are certain that if there were enough money to fully meet student need that this language would never have been written.

2. Raise allowed parental contribution from $600 to $1,200.

According to the *U.S. Master Tax Guide: 1975* the definition of dependency is one who receives "more than one half of his or her income from another person or source."

Using the IRS definition of dependency, the amount of money a student should be allowed to receive from parents each year should be up to less than one half the cost of education for that student. One half the average cost of education in FY 1976 will be $1,800.

NSL recommends that each independent student be allowed to receive annually an $800 cash contribution from parents and up to a $400 "in-kind" contribution from parents during each calendar year. The $400 in-kind contribution would apply especially to those students who live at home year round with

their parents and would approximate the amount of money a student saves when living at home rather than residing on or near campus in a separate facility. (See College Board figures for average student expenses, commuters and residents.)

B. Treatment of Asset Reserves

NSL currently favors retention of assets in the determination of BEOG awards because we are concerned with how much removal of consideration of assets would equate to in program costs ($300 million) and to whom the benefits of such a step would accrue.

Elimination of limits on asset reserves would currently reduce equity in the BEOG program. While such a step might ultimately be wise, NSL is concerned that this not be done too precipitously and takes comfort in the fact the Office of Education also supports retention of the element of assets reserves in BEOG calculation.

We favor simplification of the overall process. Perhaps asset reserves could be gradually simplified until we eventually reach a point such as in the State of New York where a short form which does not include assets operates satisfactorily.

We recommend the Office of Education conduct a study to correlate assets and income so that we can ultimately remove assets from BEOG calculation without removing equity.

The intent of including asset reserves is quite obviously to prevent the student from a wealthy family with large assets who (because of tax loopholes and other factors) is able to show a small income from getting a large grant. If the program becomes so finely tuned as to differentiate in order to save dollars, rather than to eliminate rich students, we have again come across an example of the government asking the student to bend to accommodate the system.

We therefore applaud the amendment to provide for a *raise* in allowable assets. But we do not think it goes far enough.

NSL proposes a common treatment of asset reserves with no special allowances for farmers or businessmen. We recommend the figure of *$20,000* per family.

The question of separate treatment for farmers and businessmen should be removed because there is no way to fairly treat all students under a provision so laced with the possibilities of malrepresentation. Home equity, for example, is the most difficult of all types to liquidate and should therefore be liberally compensated for in assets calculation. On the other hand, far assets (or a portion of them) are comparatively easy to liquidate and need not be compensated for to the extent called for in the proposed rules. Additionally, business equity is often an illusion because so much of it is often borrowed money, according to the Small Business Administration; e.g., $50,000 in a business is quite different than $50,000 in a home. Finally, separate treatment for each of these types of assets amounts to additional items for the student to fill out on a form which we are already striving to simplify.

C. Extraordinary Circumstances and the use of Current Year Data

The provisions allowing for limited use of current year data in Sections 190.39 and 190.48 are steps in the right direction. However, we recommend further adjustments be made to allow a more accurate framework for a student who experiences a substantial change in income data.

In particular, section 190.48 (a) (5) needs reworking. It mentions nothing about income; it does not account for the fact that students are still subject to the minimum wage in many cases; it provides no flexibility for the student who works either 20 hours for 52 weeks or 40 hours for 25 weeks.

Does "35 hours per week for a minimum of 30 weeks" mean a total of 1050 hours?

At $1.85 sub-minimum wage, does this refer to a student with a base year income of $1,942?

What about the student who makes $9,000 in the base year, works six months in the current year (earns $4,500) and then quits to go back to school? Is it implicit that that student was able to save money? If so, it should show up in his or her savings. If the student has no savings and has no income, why should the student be penalized for having worked during the base year?

Further examples could be sighted but we would seek the answer to the question "is not whot we are interested in the need to track basic, significant *changes* in income data?"

All other exceptions to the rules contained in the subsections of 190.39 and 190.48 relate to *changes* in the student's financial background. Why should not

the one subsection having to do with the independent student's income also relate to *change?*

If we want to track these changes, NSL proposes the adoption of a system wherein whenever a student experiences changes which would affect the Basic Grant eligibility index by $50 or more, that student should be allowed to submit supplemental forms to apply for the use of current year data.

Changes in income or assets which would yield a $50 difference in BEOG are as follows:

INDEPENDENT STUDENT

Effective Family Income: down $250.
Net Assets of Applicant: down $150.

DEPENDENT STUDENT

Effective Family Income: down $250.
Parental Asset Reserves: down $1,000.
Student's Asset Reserves: down $150.

Our problems with the proposed BEOG schedule are many. We have enumerated most of them in this letter and would like to meet with you or your representative to discuss them further.

We are however, of the opinion that the proposed schedule represents a positive step forward in our approach to the analysis of student eligibility for Basic Grants.

We support the provision for the 10% increase in the family size offsets used during the 1975–76 year (or the actual increase in the Consumer Price Index). That is a most advantageous proposal which will assist the maximum financial aid level to adjust for cutbacks due to inflation.

NSL would also like to commend your office for recognizing the need to provide for an *increase* in the allowed asset reserves. While our own thoughts as to how much the increase should be different from yours we are nonetheless happy to have the ice broken and be together with you on the basic principle that an increase is necessary.

Sincerely yours,

JAY HENDERSON,
Legislative Director.

YORK ACADEMY OF ARTS,
York, Pa., September 30, 1975.

Hon. Congressman O'HARA,
House of Representatives,
Washington, D.C.

DEAR SIR: At the last meeting held by the Pennsylvania Higher Education Assistance Agency the Uniform Methodology was presented and discussed as it is during each gathering of concerned financial aid administrators. Our institution has been eagerly following the progress of the National Task Force in its pursuit of a Uniform Methodology and Common Form for application as the need analysis system universally.

We are backing NASFAA, PASFAA, and the National Task Force in urging that the adoption of the Uniform Methodology and Common Form be incorporated into HEW programs as quickly as possible. To some the concept of a Common Form and Uniform Methodology seems inconceivable or idealistic but it is our contention that it is necessary in order to provide stability and consistency in financial aid administration.

The average financial aid applicant is inundated with forms and needs which apparently have little or no connection to each other in his mind. It is important that the various DHEW programs as well as state administered programs are consistent and understandable to those individuals required to open up their financial history to impersonal agencies and financial aid administrators.

Please consider this letter as PRO—Common Form and Uniform Methodology—when you begin to tabulate the merits and sponsors of the Uniform Methodology.

Sincerely,

MS. MARGARET O. HENRY,
Financial Aid Officer.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVE,
Washington, D.C., November 3, 1975.

HON. T. H. BELL,
Commissioner of Education, Office of Education,
Washington, D.C.

DEAR TED: Let me first thank you, John Phillips, and your able staffs for being of continuing and very prompt assistance to the Subcommittee in our efforts to explore the possibilities of alternative assets treatment under the proposed BOG family contribution schedule. A number of requests were posed, some of them with very short lead times, and they were all met on schedule.

On the basis of the responses to our requests, I am reluctantly led to agree that the formulation which you proposed for the 1977 schedule is as good a formulation as we can develop given the rigid cost restraints under which we are forced to work for the time being.

During the hearings on H. Res. 745, questions were raised regarding the wording of the proposed regulations which would seemingly permit a family with farm or business assets in any dollar amount to qualify for an asset reserve of $25,000. The members of the Subcommittee understood that the intention of your proposal was to provide for a farm and business asset reserve of $25,000 but that reporting any farm or business assets would not establish a windfall for parents whose farm and business assets are only nominal but who have substantial holdings in "other assets." This letter is based on the expectation that when the regulations are put in final form they will be modified to correct this error.

I have polled the members of the Subcommittee, and a majority of them have indicated that they will support a motion to table H. Res. 745 when the Subcommittee next meets. It is my feeling, and Mr. Eshleman concurs in this, that you should feel free to proceed with the implementation of the proposed schedule, subject to the understanding noted above.

Very truly yours,

JAMES G. O'HARA,
Chairman.

EDUCATIONAL TESTING SERVICE,
Princeton, N.J., August 29, 1975.

DR. LEONARD H. O. SPEARMAN,
Acting Associate Commissioner for Student Assistance, U.S. Office of Education,
Washington, D.C.

DEAR DR. SPEARMAN: I am taking this opportunity to respond to the Notice of Proposed Rule Making regarding approved need analysis systems for the National Direct Student Loan Program, College Work-Study Program and Supplemental Educational Opportunity Grants Program (45CFR, Parts 144, 175, 176). While I am responding at the request of the College Scholarship Service of the College Entrance Examination Board, my comments mainly relate to certain economic aspects of the proposed rules. Other aspects of the proposed rule will be dealt with in separate correspondence from College Board and College Scholarship Service staff.

While we are pleased to see that the proposed rule will permit the approval of the "Consensus Model" developed within the structure of the National Task Force on Student Aid Problems (the Keppel Task Force), we note that the proposed rule also permits the method of calculating an expected family contribution used in the Basic Educational Opportunity Grant Program and the "Income Tax System" if adjusted for the number of dependent children attending institutions of higher education at the same time.

One of the most significant contributions of the Keppel Task Force was the development and agreement to of a uniform methodology for measuring ability

to pay for postsecondary educational costs by parents and students. This development was the product of some 15 months of intensive effort by many of the most able economists, practitioners, and others concerned with ability to pay for educational costs and was culminated in the adoption of the uniform methodology by the three national services of financial need analysis, American College Testing Program, College Scholarship Service and the Graduate and Professional School Financial Aid Service. It seems particularly inappropriate for one of the partners to reducing problems in financial aid (as evidenced in the national work conferences) to create additional problems by approving means of calculating an expected family contribution by alternate methodologies. It can only lead to dissimilar treatment of equals for federal funds among the varying institutions in the United States; it can mean that similar families will be expected to contribue dissimilar amounts depending upon which "approved system by the Commissioner of Education" is used by a particular institution. I know of no other similar situation of dissimilarity with respect to federal funds in any program.

It should be noted that the underlying methodologies of the two "approved" means of calculating a family contribution and the criteria for systems to be approved are extremely dissimilar. The federal income tax, with its pattern of exemptions, deductions and varying tax rates, has long been recognized as an instrument of fiscal policy—not necessarily related to ability to pay. An examination of changes in the income tax laws over the past 20 years (the approximate period of the College Scholarship Service) will reveal significant changes in the various components in determining the final tax paid which were occasioned by particular actions of the Congress in response to pressures in the economy at that time. To continue the endorsement by the Commissioner that mandatory federal income tax payments represent a similar ability to contribute toward postsecondary educational costs in light of the manifold changes occasioned by the contrasts of simultaneous inflation and recession seems particularly inappropriate.

The method of calculating an expected family contribution under the Basic Educational Opportunity Grant Program also bears striking dissimilarities to the criteria which the Commissioner will use to approve the "consensus model" as well as permitting the approval of closely similar systems. This is primarily occasioned by the use of the poverty level of family maintenance in the Basic Grant Program and exclusion of social security and any provision for state and local taxes. In contrast, the Commissioner's criteria for other need anaysis systems utilizes the use of the Bureau of Labor Statistics low-budget standard and an allowance for state and local taxes as well as mandatory social security payments—features which were a part of the recommendations of the Keppel Task Force.

With such differences in underlying methodologies and philosophies of "approved" need analysis systems or method of calculating an expected family contribution, significant variations will occur in estimated financial need and concomitantly in the award of federal funds from the three specific programs delineated. For example, a two-parent, three child family with $12,000 income and modest home equity and other assets of $20,000 would have the following expected parents' contribution under the Basic Grant and Income Tax Systems and the uniform methodology adopted by the three national services:

Basic Grant: $1,240.
Income Tax Systems: $1,410.
Uniform Methodology: $500.

If we assume an institutional budget of $3,000 (which approaches the norm for a 4-year public institution), the possible awards from federal funds for students entering in the fall of 1976 could range from $1,760 to $2,500 depending either upon the method of calculating a parental contribution under the Basic Grant Program or the methodology endorsed by the Keppel Task Force and adopted by the national services. If we assume the equity to be in a farm or business, even greater variation would occur in the three results.

The above examples were derived by use of an income tax paid assuming standard deductions and number of dependents equivalent to family size. To the extent that families itemize deductions, which a significant proportion of those seeking financial aid do, the differences in the expected family contributions will be accentuated. This occurs since tax paid is an allowance against income in the Basic Grant Program and the uniform methodology for measuring ability to pay, yet reflects the basic parental contribution in the Income Tax System. As deductions increase, the mandatory federal tax payment decreases thereby lower-

ing the allowance for federal taxes under Basic Grant and the uniform methodology and increasing the expected contribution. Under the Income Tax System, the lower federal income tax payment becomes the expected parental contribution from income and increases the divergence between the methodology adopted by the national services and those of Basic Grant and the Income Tax System.

It was for these reasons that the Keppel Task Force devoted a major share of its efforts toward the development of a uniform methodology of measuring parental ability to pay for postsecondary educational costs in cooperation with the national services, the Office of Education, the financial aid community and consulting economists and urged its adoption for all programs of financial aid for students entering postsecondary education in the 1976–77 academic year. In light of the fact that the uniform methodology has been adopted by the national services and will be used by the majority of postsecondary institutions and many of the state scholarship programs awarding SSIG funds, we urge that the Commissioner of Education prevent the possibility of "unequal treatment of equals" in the award of federal student financial aid funds by eliminating the use of the method of family contribution in the Basic Educational Opportunity Grant Program and the Income Tax System in the proposed rule.

We note that the Commissioner, while outlining general criteria which would approve its use, did not endorse several specific features of the "consensus model" or uniform methodology and believed that additional research and analysis was required in those areas and suggested that a major source of such data would be provided by the Consumer Expenditure Survey of 1972, now being tabulated by the Bureau of Labor Statistics. While additional research and analysis is always desirable, where data is appropriate and available, I would reemphasize that the adoption of the uniform methodology was the result of the most intensive effort by the members of the Keppel Task Force Committee on Need Analysis, extensive discussion and conversation with the financial aid community, the Office of Education and highly regarded economists both within and without the government. Consequently, it truly represents a consensus opinion or uniform methodology of what parents can realistically be expected to contribute toward postsecondary educational costs—a consensus which has not been part of the measuring of student financial need during the past several years. I have enclosed a copy of *A Uniform Methodology for Measuring Ability to Pay: The CSS National Standard*, which describes the "consensus model" and the underlying economic rationale and philosophy for inclusion of the features which it embodies. The rationale has been based on the best economic evidence available at this time, generally accepted precepts of ability to pay and the experience gained in the measurement of parental ability to pay of millions of parents and students over the past twenty years.

As economic conditions change in the economy and as additional information regarding family ability to pay becomes available, recommendations for changes in the uniform methodology will be made. The "consensus model" developed under the auspicies of the Keppel Task Force was not viewed as a static model, but rather a methodology for measuring ability to pay based upon the economic conditions which now prevail. At the underlying conditions changed, so would the appropriate features of the modal.

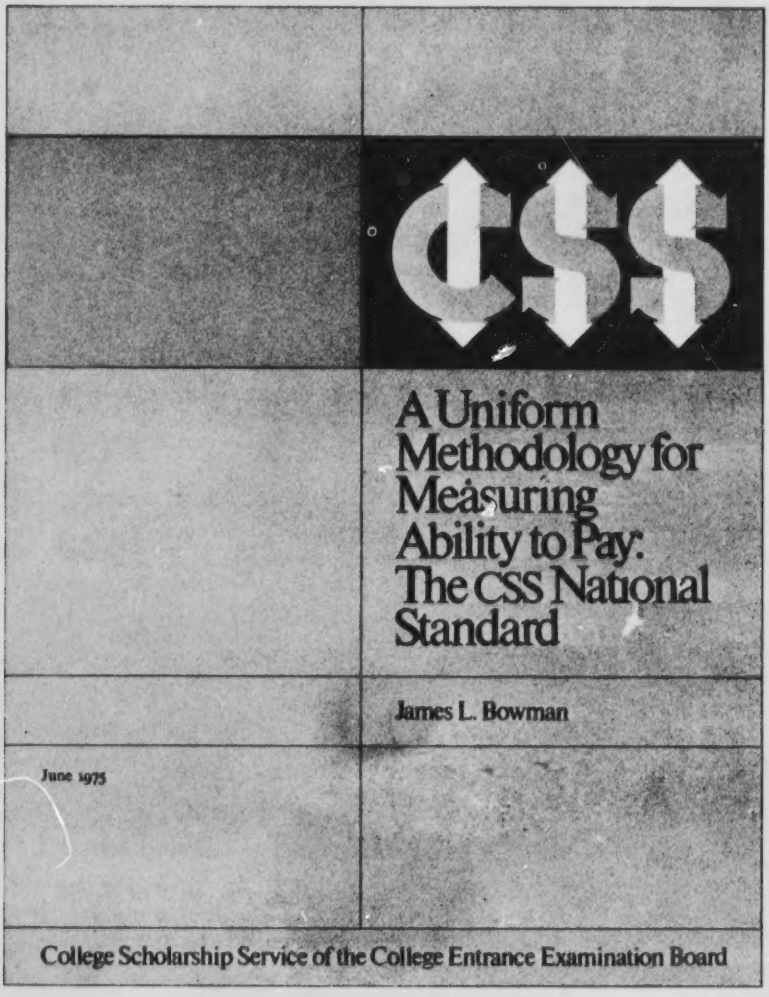
Under the proposed rule, such changes as would be suggested by a fundamental shift in the ability of parents to contribute toward postsecondary educational costs, would be prohibited by the requirement that the sample cases would be reviewed annually in such a manner that the expected contribution in constant dollars would remain constant for families with equal income and assets positions measured in constant dollars. No other federal program has this requirement, and as the rule appears, it would not apply to the contribution demanded under the Basic Grant and Income Tax methods, further adding to the complexities and differences in expected parental contribution if all are approved for use in the college-based rograms. It is recommended that this provision of the rule be eliminated or modified to provide for the incorporation of changes due to a fundamental shift in the ability of parents to contribute toward postsecondary education costs.

Please be assured of our desire and willingness to cooperate to the maximum extent possible in the implementation of procedures to reduce the problems facing students, parents and institutional financial aid officers in the student aid process and in furthering the partnership approach envisioned by the Keppel Task Force.

Sincerely yours,

JAMES L. BOWMAN.

Enclosure.


CSS
A Uniform Methodology for Measuring Ability to Pay: The CSS National Standard
James L. Bowman
June 1975
College Scholarship Service of the College Entrance Examination Board

A UNIFORM METHODOLOGY FOR MEASURING ABILITY TO PAY:

THE CSS NATIONAL STANDARD

Prepared for the CSS by

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June 1975

The College Scholarship Service of the College Entrance Examination Board

The purpose of this paper is to describe the national standard for measuring ability to pay for postsecondary educational costs to be implemented by the College Scholarship Service (CSS) for the 1975-76 processing year.

The movement toward a uniform methodology of determining parental ability to pay to be used over time by all institutions and agencies awarding financial aid funds is consistent with the goals and objectives of the CSS and represents a continuation of the evolution of measurement that has been a part of the CSS tradition since its inception in 1954. In addition, the uniform methodology brings into being several characteristics considered desirable by many financial aid administrators and agencies awarding student aid funds -- namely, a more simplified system in which the methodology can be readily understood by the users and in which accuracy of information is retained.

The development and maintenance of a uniform methodology for the measuring of a family's ability to pay will continue to be important as long as the primary purpose of financial aid programs is to permit attendance at postsecondary institutions by students who cannot afford to pay the expenses themselves. The desired equity in the awarding of financial aid can only be achieved through the widespread acceptance and application of a consistent method for measuring the ability of families to pay for educational costs.

Assumptions

The uniform methodology is based on the same general assumptions as the current CSS need analysis system. The underlying principle of

the methodology is that parents have an obligation to finance the education of their children to the extent that they are able.

Another general assumption shared by the uniform methodology and the CSS system is that the family should be accepted in its present financial condition. A system that analyzes financial need should deal first with the objective facts of family financial circumstance. It should not make distinctions between the frugal and the spendthrifty. It should not distinguish between improvidence and financial hardships.

The uniform methodology attempts to treat all families equitably by recognizing and considering special family circumstances such as age, marital status, and the number of working parents, since these factors alter a family's financial strength. The CSS system makes similar provision in determining a family's ability to pay for post-secondary education by considering the size of the family and any extraordinary expenses that the family may have. There will undoubtedly be complexities in individual family financial circumstances and differences in attitudes toward education that will require an aid administrator to consider appropriate adjustments for a specific family. In doing so he or she should evaluate both the objective and subjective information available from all sources. The financial aid administrator's judgment is indispensable and must always be the final authority in any system of need analysis.

The uniform methodology considers both the income and assets of parents in measuring their financial strength and in determining their ability to contribute to postsecondary educational costs. This principle

of need analysis is a reaffirmation of the CSS assumption that a family's income is the primary source of support for postsecondary education but that its accumulated assets must also be considered. Income and assets, combined, produce a comprehensive index of a family's financial strength and, therefore, its ability to contribute to educational costs. Furthermore, both systems recognize certain expenses and expenditures that are generally not a matter of family choice; neither system, however, makes adjustments in estimates of financial strength because of differences in family situations that do result from family choice. For example, a family that owes a large debt on an automobile is treated in the same way as a family that owns a fully paid-for car. Even though the first family has a debt and may be required to allocate more of its income to paying that debt, the purchase of a specific kind of automobile generally reflects family choice. Therefore, neither the debt obligation nor the value of the automobile is considered in the estimate of family financial strength.

In general then, the expected parental contribution toward educational expenses generated by the CSS and the uniform methodology are derived from the interaction of income, asset holdings, family size, standard required expenditures, and unusual circumstances.

Basic to the philosophy of the CSS, and incorporated into the uniform methodology, is the concept that certain levels of income and assets are required to provide for the family's economic necessities, and that income and assets above these levels are available, in varying amounts, for meeting the costs of attendance at institutions of postsecondary education.

PART 1: THE DEPENDENT STUDENT

Concept of Available Income

The uniform methodology for measuring parental ability to pay uses a concept of "available income" in its procedures for calculating the parental contribution for educational expenses. Available income is defined as that income available to the family for the provision of its economic needs after allowance against the parents' total taxable and nontaxable income has been made for the following expenses:

1. U.S. income and FICA taxes
2. State and other taxes
3. Medical and dental expenses allowable for tax purposes (excluding medical insurance)
4. Casualty and theft losses allowable for tax purposes
5. Employment allowance (if appropriate)
6. Family expenses (Minimum Standard Allowance)

An allowance as granted in the CSS system is made for federal income and social security (FICA) taxes because these are mandatory taxes that are applicable to citizens in the United States and its possessions. The payment of such taxes reduces funds available for other economic needs such as expenditures for postsecondary education costs.

The provision of a direct allowance for social security taxes paid rather than the standard allowance included in the Bureau of Labor Statistics (BLS) low budget level is necessary because of the growing disparity between a standard allowance for FICA taxes and the actual FICA taxes paid by a family. The CSS need analysis system incorporated this change in the 1974-75 processing year. Previously it had updated the

1967 BLS budget standards by the change in the Consumer Price Index (CPI) that had occurred since 1967.[1] However, the actual social security taxes paid by a family have increased at a greater rate than the allowance for such taxes in the budget standard adjusted by the CPI because of changes in the FICA rate and the basic amount of income subject to FICA taxes. In 1967, employees contributed 4.4 percent on maximum creditable earnings of $6,600. In 1974, however, employees contributed 5.85 percent on maximum creditable earnings of $13,200. For example, the provision for social security contribution in the 1967 BLS low budget level of living was $265. If this amount was updated by the increase in the CPI that has occurred between 1967 and December 1974, an increase of 55.4 percent, we would arrive at an allowance of about $410. In 1974 this amount of FICA taxes would have actually been paid by a person earning about $7,000. Consequently, a standard allowance would understate the actual taxes paid by families with an income above this level. This understatement would be significant as families approach a moderate level of living since the FICA tax to be applied in 1975 will be against creditable income up to $14,100. In addition, since the BLS standards assume families have only one wage earner, use of a standard allowance would provide no allowance for social security taxes paid by a second working spouse and would significantly overstate the income available to meet post-secondary educational costs.

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1. Three Standards of Living for an Urban Family of Four Persons, BLS Bulletin No. 1570-5, Spring 1967, Table 1, p. 15.

In addition to taking into account the allowance made for U.S. income and FICA taxes, the uniform methodology also considers the other taxes -- state and local income, property, sales, and excise -- families must pay. Collecting detailed information on these taxes within each locality and state for individual families is an extremely difficult task and results in inevitable inaccuracies. However, these taxes must be taken into consideration if all families are to be treated equitably. To avoid the problems inherent in attempting to collect precise tax information for individual families, the uniform methodology provides for a standard allowance for state and local income, property, sales, and gasoline taxes based on the family's reported total income for computation purposes. Total income, rather than taxable income, is used because consumption taxes are directly related to the total income available to the family.

These allowances have been derived using estimates of the property, sales, and excise taxes contained in the BLS low budget standard, adjusted for changes in the CPI and average family size and information published by the Internal Revenue Service (IRS) on state income taxes deducted at various income levels throughout the United States.[2] The percentages of reported total income for computation purposes shown in Table 1 are used as the allowance for state and local income, property, sales, and gasoline taxes.

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2. Statistics of Income: 1972 Individual Income Tax Returns, Department of the Treasury, Internal Revenue Service, Washington, D. C.

Table 1: Allowance for State Income and Other Taxes in the Uniform Methodology

Reported Total Income for Computation Purposes	Percentage of Income as Allowance for State Income and Other Taxes
$ 0 - $5,999	10%
6,000 - 9,999	9
10,000 or more	8

Similar to the allowance made by the CSS, an allowance is made in the uniform standard for provision of unusually high medical and dental expenses. In an effort to enhance the accuracy of the information reported, the uniform methodology uses those medical and dental expenses (excluding medical insurance) allowable as a deduction for federal income tax purposes, which are any expenses over 3 percent of family income. Since provision for the basic medical expenses (including medical insurance) of families is made in the Minimum Standard Allowance, medical expenses that exceed 3 percent of family income more closely approximate unusual or extraordinary expenses to a family.

In the uniform methodology, special allowances are also given for extraordinary expenses that are not normal expenses of family life and reduce a family's usable income. The allowable expenses in this category are those for casualty or theft; they are unforeseen and not a result of exercising consumer choice. Again, in order to retain the reliability of the information reported and to minimize confusion about the terminology of "unusual expenses," the uniform methodology uses those deductions for casualty and theft losses as defined and allowed for federal income tax purposes.

In the development of the uniform methodology, emphasis was placed on simplicity, reliability of information, and horizontal and vertical equity. The provision for allowances for extraordinary expenses in the centralized processing system was delimited to prevent value judgments from being made by persons other than aid administrators. It is more properly the role of financial aid administrators to consider individual family circumstances and ascertain the appropriateness of additional allowances for other unusual family expenses or debts.

It should be noted that neither emergency expenses nor allowances for indebtedness against income occur with any degree of frequency in the applications of those filing a Parents' Confidential Statement. To eliminate these completely results in the percentages of cases in which the parental contribution is affected shown in Table 2.

Table 2: Changes in Parental Contribution Resulting if No Allowance Is Made for Emergency or Indebtedness Expenses

Net Income	Percentage of Cases in Which Parental Contribution Is Affected					
	Emergency Expenses			Indebtedness		
	0	<$100	>$100	0	<$100	>$100
$ 0 - $ 4,999	98.0%	1.8%	.2%	99.9%	.1%	.0%
5,000 - 9,999	85.3	13.0	1.7	98.7	1.1	.2
10,000 - 14,999	84.2	13.2	2.6	98.9	.6	.5
15,000 - 19,999	87.5	9.1	3.4	99.3	.3	.4
20,000 - 24,999	87.0	8.0	5.0	99.4	.2	.4
25,000 or more	86.3	6.3	7.4	99.3	.1	.6

In view of the relatively small number of cases where contributions would be affected by $100 or more (less than 3 percent of those claiming emergency expenses and less than 3/10 percent of those with an indebtedness allowance), it seems that emergency expenses which fall outside the IRS casualty-theft rule are properly within the purview of the judgment of the institutional financial aid administrator.

In addition to these deductions, the uniform mathodology provides employment allowance for those families in which there are either two working parents or a single parent. This allowance for two working parents is 50 percent of the lesser income or $1,500, whichever is less; the same allowance is made for the income of a single parent. The allowance is made in recognition of the additional expenses incurred by two working parents for clothing, transportation, meals away from home, and in some cases, child care that are not included in the BLS low budget standard which assumes only one wage earner. In the case of a single parent, the allowance provides for the added consumption expenditures in food, household operations, and in some cases, child care that are not part of the equivalent BLS low budget standard.

In a modification of the CSS concept of a moderate level of living and its utilization of a fixed dollar expenditure at the moderate income level, the uniform methodology provides for a standardized allowance called the Minimum Standard Allowance (MSA). The MSA represents the cost of the basic necessities for all family members receiving over one-half support from the family, excluding the applicant, and represents the point of zero contribution toward postsecondary educational expenses

of the student. The uniform methodology assumes that the student will not be part of the family unit for a period of nine months; consequently, no provision for his or her expenses during this period is included in the MSA. Use of the MSA, therefore, exempts from contribution the amount of income necessary to provide for the most basic expenses of the remaining family unit. The uniform methodology does not provide for a direct allowance against income in the case of dependents in the family other than dependent children. This is because the costs associated with these other dependent family members are provided for in the MSA.

Table 3: Minimum Standard Allowance (MSA)

Family Size (Including Applicant)	MSA 1974-75	MSA 1975-76*
2	$ 4,180	$ 4,600
3	5,140	5,650
4	6,430	7,070
5	7,590	8,350
6	8,550	9,400
7	9,070	9,980
8	9,580	10,540
9	10,090	11,100
10	10,610	11,670
11	11,120	12,230
12	11,640	12,800

*1975-76 assumes 10 percent increase in CPI.

The MSAs in Table 3 are based, with certain adjustments, on the spring 1967 consumption cost estimates of the BLS for a family maintaining a low standard of living. Since a direct allowance, based on total income for computation purposes, is made for state income and local property, sales, and gasoline taxes in the uniform methodology, all such taxes that were a part of the BLS low budget standard have been subtracted. In addition, since the MSA represents the basic expenses required by the family unit remaining in the household, that portion of the standard representative of the applicant's basic living expenses for a nine-month period were also deducted. The remaining BLS low budget consumption costs were adjusted for estimated changes in the CPI through December 1975, and to provide for families of differing sizes by using the BLS equivalency scales. The derivation of the MSA for a two-parent, two-child family is illustrated in Table 4.

The BLS equivalency scale used in the derivation of the MSAs in Table 3 was based on age distribution appropriate for parents and students in the undergraduate years. When the uniform methodology is used to measure parental ability to contribute toward the educational costs of postbaccalaureate study in graduate or professional schools, these MSAs are increased by 5 percent in recognition of the higher consumption budgets implied by the BLS revised equivalency scale valued for household heads in the age group normally associated with postbaccalaureate students.

In the uniform methodology family size is determined by the number of family members receiving over one-half their support from the family.

Table 4: Derivation of Minimum Standard Allowance (MSA) for the Uniform Methodology for the Two-Parent, Two-Child Family

BLS Low Budget Consumption Expenditures:		
Consumption costs	$4,862	
Other costs	265	$5,127
Less Estimated Taxes:		
Housing	$ 406	
Gasoline	54	
Sales	67	527
		$4,600
Less Costs Associated with Child:		
Clothing	$ 130	
Personal care	40	
Other consumption	55	
Food	390	
	$ 615	
Amount for 9 months (.75 x 615)		460
Adjusted BLS Consumption Costs, 1967		$4,140
CPI 1967 through 12/74		x1.554
		$6,430*

*Rounded off to nearest 10.

This family-member concept eliminates the use of an arbitrary allowance for dependents other than children, and the dollar level it represents (differing by family size) is a more current approximation of the expenditures in dollars and in kind that the family is providing for other dependents.

Thus, from the total family income (taxable and nontaxable) are subtracted federal income and social security taxes, an allowance for state income and local property, sales, and gasoline taxes, certain allowable deductions, an employment allowance (if applicable), and an appropriate standard allowance based on family size. The remainder is considered to be "available income" and is available to the family for supplementation of the MSA and a variety of other discretionary purposes, one of which is assumed to be the provision of expenses of the applicant while attending a postsecondary educational institution.

The calculation of available income in the uniform methodology can be illustrated as follows:

Taxable wages, salaries, tips, and other employee compensation of parent or parents
+ Dividends
+ Interest
+ Income other than wages, dividends, and interest
- Adjustments to income (sick pay, moving expenses, business expenses, etc.)
= Total taxable income (adjusted gross income for year preceding academic year)
+ Nontaxable income for year preceding academic year
= Total income for computation purposes
- U.S. income and social security taxes
- Allowance for state and other taxes
- Deductions allowable for tax purposes on the basis of medical/dental expenses (excluding insurance premiums)
- Deductions allowable for tax purposes on the basis of casualty and theft losses
- Employment allowance (if appropriate)
- Appropriate minimum standard allowance
= Available income for supplemental and discretionary purposes

It is from the available income of the family, if any, that support is expected toward the expenses of the student while attending a postsecondary educational institution. When the family income is insufficient to provide a minimum standard level of living for the family members and

the student, the family has a "negative available income," and the student's need will be greater than the institution's standard student expense budget.

Parental Contribution from Assets

Since assets contribute to the financial strength of the family, it is important to include them when assessing the family's ability to pay for postsecondary education. A strong net assets position indicates greater capacity to finance postsecondary expenses out of current income and greater access to financial resources in general. The assessment of assets determines the family's ability to contribute more (or less) from its income.

In general, the uniform methodology assesses the expected contribution toward the cost of attending a postsecondary institution on the basis of the total financial strength of the family as evaluated by the interaction of income and asset levels. It is generally recognized that the possession of assets gives greater total financial strength than income alone. Therefore, the family with small income and large assets may have the same relative financial strength as another family with a higher income but fewer or no assets.

The uniform methodology measures the financial strength provided by various combinations of income and assets by determining the potential supplementary income that would be expected from a given value of assets. Since assets generally have been accumulated by deferring the purchase of goods and services from income in the past, the assets can be considered

available to supplement the purchase of goods and services from income in the present and future. The uniform methodology assumes that this supplement to current family income from assets is prorated over the expected lifetime of the major wage-earning parent. Although families may not convert their assets according to this formula, the technique serves to group together families with approximately the same financial strength when both income and assets are considered.

In general the uniform methodology for determining parental ability to pay follows the same procedures as the CSS system in determining discretionary net worth. Discretionary net worth in the CSS system has been the value of assets after the allowance of a provision for retirement and indebtedness. The standard items to be considered as assets in the proposed system are:

1. Residence equity
2. Other real estate equity
3. Other investments
4. Cash assets
5. Adjusted business/farm net worth, determined according to the following formula:

Net Worth	Adjustment Rate
$ 1 - $ 20,000	40% of net worth
20,001 - 60,000	$8,000 plus 50% of excess over $20,000
60,001 - 100,000	$28,000 plus 60% of excess over $60,000
100,001 or more	$52,000 plus 100% of excess over $100,000

In those cases in which a farm or business is the principle source of family income, a portion of the assets of that farm or business should be protected to avoid endangering its income-producing ability. The uniform methodology recognizes this by allocating increasing shares of net worth of a farm or business toward educational costs in accordance with the above formula.

The uniform methodology, as in the CSS system, takes into consideration indebtedness for past nondiscretionary expenditures; it does not take into consideration the value of consumer goods as assets, nor does it consider outstanding loans or debts incurred in connection with purchases of such durable consumer goods as automobiles, household furnishings, and appliances.

The uniform methodology recognizes that all family assets are not available for the payment of postsecondary educational costs but rather have been accumulated for a variety of purposes including emergencies, future consumption, and eventual retirement. In order to provide an allowance that recognizes differences in family situations due to age, family type, and changes in the economy and yet is not subject to arbitrary or pragmatic decisions regarding the size of the allowance to be made, the uniform methodology follows the procedures adopted by the CSS in 1965.

In essence the dollar allowance against net assets is determined by the additional income required to provide the difference in the 1967 BLS moderate income level for a retired couple or individual (updated on the basis of changes in the CPI) and the current average social

security benefits for a similar family. It is assumed that future increases in inflation will be offset by changes in the future benefit levels so that use of current average benefits and budget needs serves as a relatively good proxy. The additional income required to provide for the difference in the current moderate level of retirement income for a couple ($6,080) and the average current social security benefits for a retired couple ($4,220) is $1,860. The uniform methodology provides, as an allowance against assets, the amount that might be demanded as a single payment by a commercial insurance company at differing ages of the primary working parent in return for the payment of such annuity (excluding dividends, if any) per year beginning at age 65. Allowances for single-parent families are derived in a similar manner. Retirement reserve allowances for selected ages and family types under the uniform methodology are illustrated in Table 5.

Table 5: Retirement Reserve Allowance Under the Uniform Methodology

Age of Major Wage-Earning Parent	Two-Parent Family	One-Parent Family
40 - 44	$ 9,200	$11,400
45 - 49	10,600	13,100
50 - 54	12,500	15,300
55 - 59	15,000	18,100
60 - 64	18,600	22,000
65 and over	21,600	25,200

Under the uniform methodology, the allowance made prior to considering the amount of assets available to help meet postsecondary educational costs will change only in relation to the difference between BLS estimates of the moderate income levels required for a particular family type and the average social security benefits then being paid. When the average social security benefit increases at a greater rate than the CPI, the retirement reserve allowance will decrease. On the other hand, when the CPI increases at a greater rate than the average social security benefits then being paid, the allowances will increase.

After provision against net worth has been made for an appropriate retirement reserve allowance, the family's remaining assets are considered discretionary.

It is from the "discretionary net worth" of the family that the additional financial strength generated by assets is measured. Discretionary net worth represents the portion of family net worth above that required to provide a moderate level of retirement income and is considered available for the family to use in supplementing income at present and in the future.

The purpose of the income supplement is to take account of the contribution that discretionary net worth makes to a family's ability to pay for goods and services out of current income. The percentage of discretionary net worth that is assumed by the uniform methodology to be converted to an annual supplementary income flow is 12 percent. This is a slightly different procedure from that used by the CSS where the conversion ratio varies by age and sex of the head of household.

The varying ratios used by the CSS were a function of mortality tables, years of working life, and interest rates in the economy. In the current complex economic situation, some of the underlying variables have lost the stability that previously recommended their use.

In order to provide equity in those cases where family assets are below the uniform methodology allowance levels and available income is less than $4,000 (an income level approximating the moderate budget level), the system provides an allowance against income at the rate of 6 percent of the discretionary net worth. Because families with assets need to be "protected" to the extent of their retirement needs, similar income families without such assets should also have a portion of their income protected for future retirement needs. This methodology is similar in concept to the current IRS regulation that allows for reduction in income for federal income tax purposes if the amount subtracted is devoted to future retirement needs. The rate of 6 percent was chosen as an appropriate approximation of the annual rate of saving that would be required to achieve the necessary additional assets given the average age of parents seeking financial assistance for their children. Where available income is greater than $4,000, families are considered to have sufficient discretionary income to provide for such future needs and no allowance is made.

Expected Parental Contribution from Adjusted Available Income

The final step before determining the amount parents can reasonably be expected to contribute toward meeting educational expenses is to

determine the "adjusted available income" of the family. Adjusted available income is the available income plus the income supplement from discretionary net worth. The adjusted available income reflects the economic strength of the family resulting from a combination of its income and assets. Contribution toward educational expenses is derived from this amount.

As stated earlier the CSS system is based on the concept of the BLS moderate standard with a specific dollar expectation attached to that standard for the continued support of a child attending an institution of postsecondary education. Both the moderate standard and the low standard have served as reference points in the CSS system for determining the ability of parents to contribute to the costs of postsecondary education. At the lower budget standard a zero contribution is expected, and at the moderate level a contribution of $900 is expected. Under the uniform methodology the MSA serves as the point at which a zero contribution results. Income above that level is considered to be available income that can be utilized for provision of basic support of the applicant and for supplementary and discretionary purposes.

Since available income represents money available for supplementary and discretionary purposes, the question remains: What portion should be expected to be put toward the total postsecondary educational expenses? The existing national services (CSS and ACT) have approached this question by applying progressive tax theory to need analysis. Given the concept of a basic minimum standard, income over the MSA

level can be considered available for a variety of purposes. Economists have demonstrated that as the amount of money available to the family for discretionary purposes increases, the ratio of basic consumption expenditures to total income decreases. Thus, as income increases, a larger percentage of income may be taxed with less effect on the support of the family. The uniform methodology uses the taxation rate schedule in Table 6 for estimating the ability of the family to contribute toward educational costs from adjusted available income.

Table 6: Adjusted Available Income Taxation Rate Schedule

Adjusted Available Income (AAI)	Taxation Rates
Less than $(3,200)	$(700)
$(3,200) - 4,000	22%
4,001 - 5,000	880 plus 25% of AAI over $4,000
5,001 - 6,000	1,130 plus 29% of AAI over $5,000
6,001 - 7,000	1,420 plus 34% of AAI over $6,000
7,001 - 8,000	1,760 plus 40% of AAI over $7,000
8,001 or more	2,160 plus 47% of AAI over $8,000

These rates have been developed to approximate the expected parental contribution used by the national services for the 1974-75 processing year. Adjustments for future changes in the cost of living will be reflected by changes in the MSA. The taxation rates would remain unaffected as they apply to adjusted available income so that any given level of adjusted available income will have the same dollar contribution from year to year. Changes in the rates of taxation would

only take place when fundamental changes occur in the underlying ability of parents to contribute toward postsecondary educational costs.

Treatment of Families with More Than One Member Attending Postsecondary Institutions

Basic to any system for measuring parental ability to pay for post-secondary education is the special provision that should be made for families with more than one member attending at one time. An extremely pure ability-to-pay view would call for parental contribution to be independent of the number of family members simultaneously attending postsecondary institutions at least half-time and be determined only by the measure of parental resources. Given recent history, such a pure approach is probably difficult to specify and implement and is not necessarily the most desirable. The concept of equity can accommodate a benefit element: Families whose members absorb more of the output of higher education may, with fairness, be expected to contribute more out of a given level of resources. The problem is to determine how much more they should contribute.

In its report, "New Approaches to Student Financial Aid," the Cartter Panel found that current need analysis procedures showed substantial favoritism toward parents with multiple siblings in college and suggested that a reasonable reduction in this favoritism could be achieved. In its final report, the Panel recommended that "an appropriate technique be devised to provide for some reduction in the contribution when a second or third child is simultaneously in college, without producing the excessive favoritism now shown to parents of children whose college years overlap."

The uniform methodology recognizes that a family with more than one member attending a postsecondary institution should contribute a greater amount from a given level of resources than a family with only one member in attendance. This methodology is set forth in Table 7.

Table 7: The Uniform Methodology for Determining Parental Contribution When More Than One Family Member Is Attending a Postsecondary Institution

Number of Postsecondary Students in Attendance	Contribution Per Student as a Percent of Standard Contribution	Family Contribution for All Students as a Percent of Standard Contribution
1	100%	100%
2	70	140
3	60	180
4 or more	50	200+

Measuring Student Resources for Postsecondary Educational Expenses

The national financial need analysis systems have from their inception incorporated the basic principle that the student has an obligation to assume a responsibility for a portion of the cost of his education. This obligation is reflected through a systematic expectation of contributions from a student's own savings and employment income. This principle is also basic to the uniform methodology, which expects the student to make some contribution from summer earnings, previous savings, and other resources such as social security, veterans, and war orphan benefits.

Expectation from Summer Savings

Table 8 lists the standard summer savings expected from dependent students by the uniform methodology.

Table 8: Standard Summer Savings Expectation

Student Status	Expected Contribution
Prefreshman (first year)	$500
Presophomore (second year)	600
Prejunior (third year)	700
Presenior (fourth year)	700

The standard summer savings expectation serves primarily as a guideline to what the student's responsibility toward his or her own education should be. Because of the aid administrator's knowledge of local conditions, he or she will be better able to judge the opportunities for employment and hourly earnings, which will vary considerably between geographic regions and even by size of city. In addition, it may be impossible for a student to obtain summer employment because of illness, academic scheduling, or other factors. The financial aid administrator should be prepared in such cases to assist the student meet the self-help obligation through employment during the school year or loans. In recognition of these factors, the CSS national standard provides an institutional option in the treatment of summer saving expectations.

Student Assets

In the case of a student who may be considered dependent on his or her parents, the calculation of contribution from the student's assets is achieved in the following manner:

Total assets of student
- Indebtedness of student (excluding educational and consumer debts)
= Net worth
- Emergency allowance ($500 per family member [other than the applicant] dependent on the student for support)
= Discretionary net worth
x Asset taxation rate of 35 percent
= Contribution from dependent student's assets

Other Student Resources

In the uniform methodology, social security benefits which continue to be paid on behalf of a student over the age of 18 enrolled in a postsecondary educational institution are treated as part of family income or as a student resource depending on the level of the family's adjusted available income.

It should be noted that from the point of view of the Social Security Administration, the student benefit is not a form of student aid. While the term "student benefit" derives from one of the four conditions for entitlement -- full-time school attendance -- it does not describe the intent of the program nor the reason for which the benefit is paid. That intent and reason are found in the basic condition for entitlement: The student is a dependent child of a worker whose earnings are lost due to death, disability, or retirement. Lost earnings are replaced by benefits which are paid in portion to the dependent members of the worker's family. The student child is deemed dependent

since full-time school attendance is assumed to preclude self-support through employment.

The uniform methodology recognizes that the contribution to family expenses that such benefits covered prior to the student's 18th birthday continue while the student is pursuing postsecondary educational opportunities. Where the family income is low, all social security benefits are considered part of family income in determining the expected parental contribution toward postsecondary educational costs. However, when family income is above the equivalent moderate standard of living, it is assumed that sufficient income is available from resources other than the student's share of social security payments to meet the continuing expenses of the family and that all of the student's share of the social security payment is available to meet the student's expenses at a postsecondary institution.

Table 9 illustrates the allocation of that portion of the social security benefits attributable to the continued dependency of the student, as a portion of family income or as a direct student resource.

Veteran and War Orphan Benefits

Benefits provided through federal and state programs dealing with veterans and their dependents (educational benefits for veterans, war orphan benefits, etc.) are considered to be available for educational expenses at a 100 percent rate. These are specifically student benefits and are made available to meet the specific costs of postsecondary education. Their inclusion as a part of student resources continues to be appropriate.

Table 9: Allocation of Student Benefit Payments as a Family or Student Resource

Adjusted Available Income	Percentage of Student Benefit Payments Allocated as: Family Resource	Student Resource
Less than $400	100%	0%
$ 400 - $ 799	90	10
800 - 1,199	80	20
1,200 - 1,599	70	30
1,600 - 1,999	60	40
2,000 - 2,399	50	50
2,400 - 2,799	40	60
2,800 - 3,199	30	70
3,200 - 3,599	20	80
3,600 - 3,999	10	90
4,000 or more	0	100

Total Family Contribution

The final step in the uniform methodology is to add together the parental contribution and the contribution from the student. This generates the total family contribution, which is used in determining a student's needs by subtracting it from the appropriate institutional budget.

PART II: MEASURING SELF-SUPPORTING STUDENTS' ABILITY TO PAY

In contrast to the detailed methodology and rationale that has evolved over the last 20 years in the measurement of parental ability to pay postsecondary educational costs, the measurement of self-supporting students' ability to pay is of comparatively recent origin. The uniform methodology is based on the widely accepted principles that are currently being utilized in the national need analysis services. In general the methodology is concerned with the measurement of total student resources that will be available to meet the educational and living expenses during the period that he is seeking assistance. Since a self-supporting student, by definition, must provide for his own subsistence and other expenses both within and without the academic period, the uniform methodology measures the resources available to the student based on the estimated income from all sources for a 12-month period.

Concept of Available Income

The uniform methodology utilizes the concept of "available income" in its procedures for measuring the resources available to the self-supporting student. Available income, in this case, is defined as that income available to the student for meeting living and educational costs after allowances have been made against the total estimated resources for the following expenses:

1. U.S. income and FICA taxes
2. State income tax
3. Employment allowance (if appropriate)

An allowance is made for federal income and FICA taxes because these taxes are mandatory and will vary depending on the amount of income earned and the number of employed persons within the family unit. For estimates of the federal tax payment, a standard income tax is computed, assuming the appropriate standard deduction and number of exemptions in the family unit. The estimated social security taxes are developed by multiplying the applicant's and spouse's (if appropriate) income from wages, salaries, and tips by the current FICA tax (5.85 percent) to a maximum allowance of $820 for each working spouse.

In addition to the allowance for federal taxes, the uniform methodology makes an appropriate allowance for state income taxes for students residing in one of the states assessing such taxes by using the appropriate tax computation schedule and assuming standard deductions.

An employment allowance is made in the uniform methodology for a student whose husband or wife is employed. This allowance is meant to adjust the total income for the additional expenses incurred by families that do not have the advantage of a nonemployed spouse. This allowance is 50 percent of the spouse's estimated income from wages, salaries, and tips, or $1,500, whichever is less.

After these allowances are made, the remaining taxable income is added to the applicant's other nontaxable income, resources, and benefits. The total is the available income to meet the student's living and educational expenses in the forthcoming year.

The calculation of the available income in the uniform methodology can be illustrated as follows:

Applicant's estimated wages, salaries, and tips
+ Spouse's estimated wages, salaries, and tips
+ Other taxable income
= Total taxable income for computation purposes
- U.S. income taxes to be paid
- FICA taxes to be paid
- State income taxes to be paid (if applicable)
- Employment allowance (if appropriate)
Estimated financial assistance from applicant's parents
+ Estimated financial assistance from spouse's parents
+ Other non-taxable income and benefits
= Available income

Self-Supporting Student's Contribution from Assets

Since assets also contribute to the financial strength of the applicant, it is important to include them in assessing the applicant's ability to pay for postsecondary education. The uniform methodology assumes that students who are self-supporting and who have substantial assets have decided that education is the most important expenditure that they can make. Therefore, it is reasonable to expect that a significant portion of their assets will be made available to meet educational costs, and the uniform methodology expects the single self-supporting student to commit a significant portion of his or her assets to help meet educational and basic living expenses. As students continue beyond undergraduate education and assume family responsibility, it is important to protect a portion of their assets, and the uniform methodology would expect a decreasing amount from the student's net assets as the applicant's age and family responsibilities increase. An emergency allowance of $500 per family member is also allowed in the uniform methodology for each family member other than the applicant.

In general the uniform methodology for self-supporting students

follows the same procedure in arriving at the contribution from assets as does the uniform methodology for dependent students.

Calculation of this income supplement in the uniform methodology can be illustrated as follows:

Home equity
+ Net value of investments and other real estate
+ Total cash, checking, and savings accounts
+ Adjusted net worth of business/farm
- Other debts (excluding education and consumer debts)
= Net worth for computation
- Emergency allowance ($500 per family member other than the applicant)
= Discretionary net worth
x Asset taxation rate:

Age	Rate
25 and under	.35
26 - 30	.30
31 - 35	.25
36 - 39	.20
40 and over	.12 (same as for parents)

= Self-supporting student's income supplement

The income supplement is then added to the self-supporting student's available income to equal the "adjusted available resources."

National Budget Standard

Since the adjusted available resources are the total funds considered available to the student to meet his living and educational costs during the forthcoming year, an estimate of the consumption portion of the student's expenses must be provided in order to determine the amount of student resources available to meet direct educational costs (tuition, fees, books, and supplies).

The uniform methodology provides a national budget standard, the Independent Student Allowance (ISA), based on the 1967 BLS moderate

budget level consumption expenditures, updated by changes in the CPI, and adjusted for age and family size differences. The ISA contrasts with the MSA, which is based on the BLS low budget level consumption expenditures. Since 100 percent of the resources available to the student are considered available for the payment of living costs and educational costs, it is important that adequate provision be made for living costs. In contrast, estimates of parental ability to pay direct educational costs for dependent children are some fraction less than 100 percent. Consequently supplemental funds are available to the family to supplement the MSA based on the BLS low budget estimates.

The ISA represents the basic expenses required by the applicant and/or his or her family for a 12-month period. The 1967 BLS moderate budget consumption expenditures, adjusted for estimated changes in the CPI through December 1975, and appropriate family characteristics are shown in Table 10.

Table 10: Independent Student Allowance (ISA)

Family Size	3 Months	+ 9 Months	= 12 Months
Single	$ 1,070	$ 3,230	$ 4,300
Married	1,500	4,530	6,030
Married, 1 child	1,890	5,730	7,620
Married, 2 children	2,200	6,670	8,870
Married, 3 children	2,940	8,890	11,830

The difference between the ISA and the adjusted available resources equals the student's contribution available to meet out-of-pocket direct educational costs for tuition, fees, books, and supplies and from which estimates of the applicant's financial need would be uniformly measured.

Additional amounts expected from parents by Basic Grant method
(Beyond Consensus Model expectations)

Net Assets		$10,000		$20,000		$30,000		$40,000	
Family Size		3	5	3	5	3	5	3	5
Income Before Taxes	$ 8,000	$460	210	$570	$ 585	$810	$ 935	$1030	$1175
	$12,000	630	640	710	750	880	980	970	1200
	$16,000	850	940	790	1005	760	1135	700	1195
	$20,000	660	1070	460	975	390	915	330	845
	24,000	310	820	(120)	625	(120)	555	(120)	495

The figures above are expected parental contribution amounts calculated for the 1976-77 academic year under the following common assumptions:

1. Two parents, one with income,
2. One dependent in postsecondary education,
3. No business and/or farm assets,
4. Age of main wage earner = 45 years,
5. Joint income tax return with standard deduction - 1975 tables
6. No social security or veterans benefits for education
7. No unusual medical, dental, casualty, theft expenses
8. No other unusual circumstances
9. Expected student contribution to be calculated separately

JEN/9-10-75

COMPARISON OF EXPECTED PARENTAL CONTRIBUTIONS UNDER THE
(1) CONSENSUS MODEL, (2) BASIC GRANT, AND
(3) INCOME TAX METHODS OF NEED ANALYSIS

Net Assets		$10,000		$20,000		$30,000		$40,000	
Family Size		3	5	3	5	3	5	3	5
Income Before Taxes	$ 8,000								
	1. CM	$ 140	$-0-	$ 410	$-0-	$ 670	$ 150	$ 950	$ 410
	2. BEOG	600	210	980	585	1480	1085	1980	1585
	3. IT	500	190	1000	690	1560	1190	2060	1690
	$12,000								
	1. CM	750	230	1040	500	1370	770	1780	1050
	2. BEOG	1380	870	1750	1250	2250	1750	2750	2250
	3. IT	1250	910	1750	1410	2250	1910	2750	2410
	$16,000								
	1. CM	1500	860	1940	1170	2470	1540	3030	1980
	2. BEOG	2350	1800	2730	2175	3230	2675	3750	3175
	3. IT	1990	1600	2490	2100	2990	2600	3490	3100
	$20,000								
	1. CM	2610	1650	3160	2120	3750	2680	4310	3250
	2. BEOG	3270	2720	3640	3095	4140	3595	4660	4095
	3. IT	2950	2520	3430	3020	3950	3520	4450	4020
	$24,000								
	1. CM	3830	2780	4400	3350	4960	3920	5520	4480
	2. BEOG	4140	3600	4280	3975	4840	4475	5400	4975
	3. IT	4050	3570	4550	4070	5050	4570	5550	5070

The figures above are expected parental contribution amounts calculated for the 1976-77 academic year under the following common assumptions:

1. Two parents, one with income,
2. One dependent in postsecondary education,
3. No business and/or farm assets,
4. Age of main wage earner = 45 years,
5. Joint income tax return with standard deduction - 1975 tables
6. No social security or veterans benefits for education
7. No unusual medical, dental, casualty, theft expenses
8. No other unusual circumstances
9. Expected student contribution to be calculated separately

JEN/9-8-75

The results of the accompanying Parents' Confidential Statement cases, taken from CSS Need Analysis: Theory and Computation Procedures (1974 edition), produce considerable differences in need analysis results when subjected to the Uniform Methodology, the Basic Educational Opportunity Grant "system," and the Income Tax "method."

The following is a summary of parental contributions determined by the three systems for each of the cases. In each instance the parental contribution is for one child in postsecondary education. The differences in the systems' approach to student resources is reflected in the summary as well.

Student:	Daniel Pierce	Susan Corner	Mary Brown	Jessie Hendricks	Janice Rigby	Michael Wakefield
Parents' Income	16,355	18,400	12,425	4,886	12,600	23,500
Parents' Net Worth	0	31,958	16,635	31,200*(F)	47,500*(B)	47,281*(B)
Number in Household	3	5	5	8	5	5
Parents' Contribution						
Uniform Methodology	773	1,422	1	-700	363	4,036
Basic Grants Method	2,182	2,857	871	0	1,840	4,249
Income Tax Method	1,450	3,219	1,311	1,060	2,883	5,296
Student's Income Contribution						
Uniform Methodology	700	500	500	500	700	500
Basic Grants						
Income Tax Method						
Student's Benefits/ Asset Contribution						
Uniform Methodology	2,005	114	140	210	0	1,855
Basic Grants	39	107	132	198		1,749
Income Tax Method						

*Business (B) or Farm (F) case. Net worth includes full value of business farm.

As can be seen from the table, variance in outcome is marked in all instances. However, particularly noticeable are differences in areas not addressed by the U.S. Commissioner of Education's proposed regulations -- the treatment of business or farm assets, adjustments to income allowed in the regulations but not accomodated in either the Basic Grants or Income Tax methods, and variations on treatment of student resources. On the latter point, the Basic Grants method does not provide for an expectation from the student's own income; and the Income Tax method speaks only of "consideration" of student's income and assets.

COLLEGE SCHOLARSHIP SERVICE
of the
College Entrance Examination Board

FINANCIAL NEED ANALYSIS REPORT
Academic Year 1976 - 1977

STUDENT'S AND PARENTS' INFORMATION

NAME OF STUDENT			SEX	DATE OF BIRTH	SOCIAL SECURITY NUMBER	FAMILY MEMBER	FAMILY MEMBERS IN COLLEGE	FAMILY STATUS *	STUDENT STATUS **	STATE DOMICILE	UNUSUAL CONDITIONS ***	CSS IDENTIFICATION NO.	CSS CODE
LAST	FIRST	M.I.											
[illegible]	[illegible]	[illegible]											

COMPUTATION OF PARENTS' AVAILABLE INCOME

TAXABLE AND NON-TAXABLE INCOME	SOCIAL SECURITY ADJUSTMENT	TOTAL INCOME	MEDICAL/DENTAL EXPENSES	CASUALTY OR THEFT LOSSES	U.S. INCOME TAX	F.I.C.A. TAX	STATE AND OTHER TAXES	EMPLOYMENT ALLOWANCE	HOUSEHOLD ALLOWANCES	TOTAL ALLOWANCES	AVAILABLE INCOME
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMPUTATION OF INCOME SUPPLEMENT FROM PARENTS' ASSETS

HOME EQUITY	OTHER REAL ESTATE EQUITY	INVESTMENTS EQUITY	CASH AND BANK ACCOUNTS	ADJUSTED BUSINESS OR FARM NET WORTH	TOTAL ASSETS	OTHER DEBTS OUTSTANDING	NET WORTH	RETIREMENT INCOME ALLOWANCE	FAMILY SUMMARY NET WORTH	CONT. %	INCOME SUPPLEMENT

COMPUTATION OF TOTAL FAMILY CONTRIBUTION

# STUDENTS SHARE OF STUDENT'S USE OF BENEFITS	ADJUSTED AVAILABLE INCOME	TOTAL PARENTS' CONTRIBUTION	# FAMILY MEMBERS ATTENDING COLLEGE	PARENTS' CONTRIBUTION FROM INCOME	PARENTS' CONTRIBUTION FROM ASSETS	PARENTS' CONTRIBUTION FOR STUDENT	STUDENT'S ASSETS AND BENEFITS: FAMILY SAVINGS	ASSETS	EARNINGS FROM WORK	SAVINGS	GRANTS	TOTAL FAMILY CONTRIBUTION FOR STUDENT
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSTITUTIONAL BUDGETS				ESTIMATED FINANCIAL NEED				ESTIMATED BASIC GRANT ELIGIBILITY
RESIDENT	COMMUTER	NOT LIVING WITH PARENTS	OTHER	RESIDENT	COMMUTER	NOT LIVING WITH PARENTS	OTHER	

FAMILY STATUS

[illegible]

STUDENT'S STATUS

[illegible]

UNUSUAL CONDITIONS

[illegible]

INSTITUTIONAL ESTIMATE

[illegible]

FINANCIAL AID AWARD

[illegible]

of the
College Entrance Examination Board

FINANCIAL AID ANALYSIS REPORT
Academic Year 1976 - 1977

COLLEGE SCHOLARSHIP SERVICE
of the
College Entrance Examination Board

FINANCIAL NEED ANALYSIS REPORT
Academic Year 1976 - 1977

STUDENT'S IDENTIFYING INFORMATION

NAME OF STUDENT														
LAST	FIRST	MI												
[illegible]	MARY	A												

COMPUTATION OF PARENTS' AVAILABLE INCOME

TAXABLE INCOME	NONTAXABLE INCOME	TOTAL INCOME										
12,[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	- 690

COMPUTATION OF INCOME SUPPLEMENT FROM PARENTS' ASSETS

HOME EQUITY	OTHER REAL ESTATE EQUITY	INVESTMENTS EQUITY										
6,[illegible]	0	[illegible]	[illegible]	[illegible]	6,[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMPUTATION OF TOTAL FAMILY CONTRIBUTION

PARENTS' SHARE OF AVAILABLE INCOME	STUDENT'S AVAILABLE INCOME											
0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSTITUTIONAL BUDGET				ESTIMATED FINANCIAL NEED				ESTIMATED SEOG GRANT ELIGIBILITY
BUDGET	ALLOWANCES	OTHER RESOURCES	OTHER	NEED	ALLOWANCES	OTHER RESOURCES	OTHER	

FAMILY STATUS

STUDENT'S STATUS

INSTITUTIONAL ESTIMATES

College Scholarship Service
of the
College Entrance Examination Board

FINANCIAL NEED ANALYSIS REPORT
Academic Year 1976 1977

STUDENT'S AND PARENTS' INFORMATION

NAME OF STUDENT LAST	FIRST	M.I.	SEX	DATE OF BIRTH	SOCIAL SECURITY NUMBER	CLASS LEVEL	FAMILY MEMBERS IN COLLEGE	FAMILY SIZE *	SPECIAL **	DATA STATUS	SPECIAL CONDITIONS ***	CSS ORGANIZATION NO.	CSS CODE
HENDRICK	[illegible]	E	M	05 04 [illegible]	110 96 [illegible]	2	1	1	1			114 [illegible]	5214

COMPUTATION OF PARENTS' AVAILABLE INCOME

TAXABLE AND NONTAXABLE INCOME	SOCIAL SECURITY ADJUSTMENT	TOTAL INCOME	MEDICAL DENTAL EXPENSES	CASUALTY OR THEFT LOSSES	U.S. INCOME TAX	F.I.C.A. TAX	STATE AND LOCAL TAXES	DEPENDENCY ALLOWANCE	ORDINARY ALLOWANCES	TOTAL ALLOWANCES	AVAILABLE INCOME
4[illegible]	-	4[illegible]	[illegible]	0	0	[illegible]0	4[illegible]	[illegible]	[illegible]	11[illegible]2	-6[illegible]

COMPUTATION OF INCOME SUPPLEMENT FROM PARENTS' ASSETS

HOME EQUITY	OTHER REAL ESTATE EQUITY	INVESTMENTS EQUITY	CASH AND BANK ACCOUNTS	BUSINESS WORTH OR FARM NET WORTH	TOTAL ASSETS	OTHER DEBTS OUTSTANDING	NET WORTH	RETIREMENT INCOME ALLOWANCE	PARENTS' NONBUSINESS NET WORTH	RATE %	INCOME SUPPLEMENT
0	0	0	[illegible]	13,6[illegible]	1[illegible]	0			[illegible]	[illegible]	-[illegible]2

COMPUTATION OF TOTAL FAMILY CONTRIBUTION

PARENTS' SHARE OF STUDENT'S SELF-HELP BENEFITS	ADJUSTED AVAILABLE INCOME	TOTAL PARENTS' CONTRIBUTION	ADJUSTED PARENTS' CONTRIBUTION FOR COLLEGE	PARENTS' CONTRIBUTION FROM INCOME	PARENTS' CONTRIBUTION FROM ASSETS	PARENTS' CONTRIBUTION FOR STUDENT	STUDENT'S ASSETS AND BENEFITS					TOTAL FAMILY CONTRIBUTION FOR STUDENT
							SUMMER EARNINGS	ASSETS	STUDENT CONTRIBUTION	SPECIAL BENEFITS	OTHER	
0	-[illegible]94	-[illegible]99	[illegible]	-[illegible]99	0	-[illegible]99	5[illegible]	[illegible]	[illegible]	[illegible]0	[illegible]	[illegible]
—	[illegible]	[illegible]	[illegible]	[illegible]		0						[illegible]

INSTITUTIONAL BUDGETS

RESIDENT	COMMUTER	OUT OF STATE	GRADS

ESTIMATED FINANCIAL NEED

RESIDENT	COMMUTER	OUT OF STATE	GRADS

ESTIMATED BASIC GRANT ELIGIBILITY

FAMILY STATUS

STUDENT'S STATUS

INSTITUTIONAL ESTIMATE

1 Undergraduate Budget

2 Institutional Adjustment

3 TOTAL BUDGET

4 Parents' Contribution

5 Student's Summer Savings

6 Student's Assets

7 Student's Benefits

8 Other

9 TOTAL CONTRIBUTION

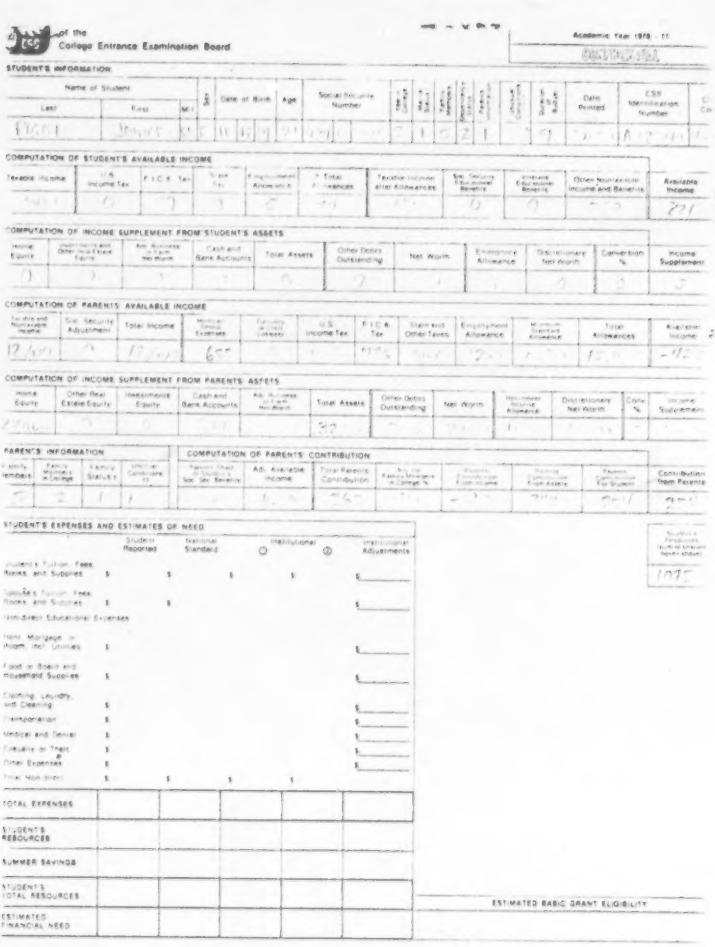
10 FINANCIAL NEED
(Line 3 minus 9)

FINANCIAL AID AWARD

11 Grant

12 Job

13 Loan



of the College Entrance Examination Board

Academic Year 1978 - 11

STUDENT'S INFORMATION

Name of Student: Last	First	MI	Sex	Date of Birth	Age	Social Security Number	Type of School	Type of Aid	Type of Application	Dependency Status	Family Status	Class in College	Date Printed	CSS Identification Number	Code
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	1	1	2	1	[illegible]	[illegible]	[illegible]	[illegible]	

COMPUTATION OF STUDENT'S AVAILABLE INCOME

Taxable Income	U.S. Income Tax	F.I.C.A. Tax	State Tax	Employment Allowance	+ Total Allowances	Taxable Income After Allowances	Soc. Security Educational Benefits	Veterans' Educational Benefits	Other Nontaxable Income and Benefits	Available Income
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	271

COMPUTATION OF INCOME SUPPLEMENT FROM STUDENT'S ASSETS

Income Equity	Investments and Other Real Estate Equity	Net Business or Farm Worth	Cash and Bank Accounts	Total Assets	Other Debts Outstanding	Net Worth	Emergency Allowance	Discretionary Net Worth	Conversion %	Income Supplement
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMPUTATION OF PARENTS' AVAILABLE INCOME

Taxable and Nontaxable Income	Soc. Security Adjustment	Total Income	Medical Dental Expenses	Elementary or Secondary Tuition	U.S. Income Tax	F.I.C.A. Tax	State and Other Taxes	Employment Allowance	Maintenance Standard Allowance	Total Allowances	Available Income
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMPUTATION OF INCOME SUPPLEMENT FROM PARENTS' ASSETS

Income Equity	Other Real Estate Equity	Investments Equity	Cash and Bank Accounts	Adj. Business or Farm Worth	Total Assets	Other Debts Outstanding	Net Worth	Retirement Reserve Allowance	Discretionary Net Worth	Conv. %	Income Supplement
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PARENTS' INFORMATION

Family Members	Family Members in College	Family Status	Number Combined
[illegible]	[illegible]	[illegible]	[illegible]

COMPUTATION OF PARENTS' CONTRIBUTION

Parents' Share of Student's Soc. Sec. Benefits	Adj. Available Income	Total Parents' Contribution	Adj. for Family Members in College %	Parents' Contribution from Income	Parents' Contribution from Assets	Parents' Total Contribution	Contribution from Parents
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STUDENT'S EXPENSES AND ESTIMATES OF NEED

	Student Reported	National Standard	① Institutional	② Institutional	Institutional Adjustments
Student's Tuition, Fees, Books, and Supplies	$	$	$	$	$
Spouse's Tuition, Fees, Books, and Supplies	$	$			$
Non-Direct Educational Expenses					
Rent, Mortgage or Room, Incl. Utilities	$				$
Food or Board and Household Supplies	$				$
Clothing, Laundry, and Cleaning	$				$
Transportation	$				$
Medical and Dental	$				$
Education or Thesis ③	$				$
Other Expenses	$				$
Total Non-Direct	$	$	$	$	
TOTAL EXPENSES					
STUDENT'S RESOURCES					
SUMMER SAVINGS					
STUDENT'S TOTAL RESOURCES					
ESTIMATED FINANCIAL NEED					

Student's Response (Line of answer sheet)

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ESTIMATED BASIC GRANT ELIGIBILITY

COLLEGE SCHOLARSHIP SERVICE
of the
College Entrance Examination Board

FINANCIAL NEED ANALYSIS REPORT
Academic Year 1976 - 1977

NEED ANALYSIS INFORMATION

| NAME OF STUDENT | | |

BASIC GRANTS TRAINING PROJECT,
Washington, D.C., September 2, 1975.

MR. PETER K. U. VOGT,
Division of Basic and State Student Grants,
Washington, D.C.

DEAR PETER: The following comments/suggestions are offered to the Proposed Rules for Basic Grants published in Federal Register, Vol. 40, No. 158, August 14, 1975.

190.33—This paragraph needs "tightening" to avoid the situation where high-income divorced parents report only the wife's alimony/child support income and thereby obtain eligibility for a Basic Grant. As a minimum, it should clearly state that Parents who claims the child as an income tax exemption must report his/her income on the application.

190.35—The asset reserve of $12,500 is inadequate when assets consists solely of home equity. Property values are badly inflated but rather than more asset strength it usually means only higher property taxes. A minimum of $15,000 house equity should be established.

190.43—There is no independent self-supporting student earning a living at a cost of $1,050 for the year. The process looks at previous year's income—in order to earn that a car is a necessity in almost every instance yet the system's total allowance does not even cover transportation. There is no way, no place, no how, that a self-supporting individual can live on $1,050 per year. To correct this inequity, a self-supporting student should be entitled to the $1500 employment offset in addition to the present offset of $1,050.

Sincerely,

P. JEROME CUNNINGHAM,
Basic Grant Primary Trainer, Connecticut.

UNITED STATES SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
October 28, 1975.

HON. TERREL H. BELL,
Commissioner of Education, U.S. Office of Education, Department of Health, Education, and Welfare, Washington, D.C.

DEAR MR. COMMISSIONER: Dr. John D. Phillips, Acting Deputy Commissioner for Postsecondary Education, appeared before the Subcommittee on Education on September 11th to explain the changes you propose to make in the Family Contribution Schedule for the Basic Educational Opportunity Grant Program.

We are extremely pleased that you are seeking to make the Schedule more equitable with regard to the family size offset, the treatment of assets and exclusion of a portion of farm and small business assets. These changes should have a significant impact toward making the Basic Grant Program more responsive to the needs of the students it was intended to serve.

We believe that the changes you have made in the Family Contribution Schedule make it acceptable to the Subcommittee on Education. This letter will serve as official notice that the Subcommittee does not plan to disapprove the Schedule. We hope that this will be sufficient to allow you to implement the new Schedule as soon as possible and to disseminate information on next year's program expeditiously in order to assure that every eligible student receives the grant to which he or she is entitled.

Sincerely,

CLAIBORNE PELL,
Chairman, Subcommittee on Education.
J. GLENN BEALL, JR.,
Ranking Minority Member, Subcommittee on Education.